ER-8-9324/a

Mr. C. J. Symington
National Planning Association
1606 New Hampshire Avenue, N. W.
Washington 9, D. C.

Dear Mr. Symington:

In the absence of Mr. Dulles, may I acknowledge and thank you for your letter of December 28 and the copy of the NPA case study.

I will be happy to bring these to Mr. Dulles' attention upon his return shortly after the first of next month.

Sincerely,

SIGNED

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Assist[redacted] the Director

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NATIONAL PLANNING ASSOCIATION

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December 28th 1956

Mr. Allen W. Dulles, Director
Central Intelligence Agency
Washington 25, D.C.

Dear Allen:

The case study of Firestone's operations in Liberia has just been published by the National Planning Association.

It effectively demonstrates what private capital and competent management can accomplish in less developed countries. A copy of this report and a recorded statement from President Tubman about Firestone's contribution to the welfare of the Liberian people are enclosed.

Sincerely yours,

C. J. S.

C. J. Symington

enclosures/

FROM: FRED SMITH & CO., INC.
533 Fifth Avenue
New York 36, New York

FOR: NATIONAL PLANNING ASSOCIATION
Washington, D. C.

FOR RELEASE
Monday, December 10, 195

RECORDED STATEMENT
by
His Excellency, William V. S. Tubman, President of Liberia
for the
National Planning Association Luncheon
The Waldorf Astoria, New York, N. Y.
December 5th, 1956

RECORDED AT:
The Executive Mansion
Monrovia, Liberia
November 27th, 1956

The beginning of the Firestone investment in Liberia represented one of the first examples of large scale investment in Liberia by foreign capital. Even though at the time the agreements were reached Liberia accepted them primarily for political reasons, it has been demonstrated that with good will on both sides, foreign capital can contribute substantially to the development of underdeveloped countries and also reap satisfactory profits.

The Firestone venture in Liberia has been successful because it has brought beneficial results to both the Firestone organization and to Liberia.

Over the past few years we have pursued an Open Door Policy where foreign capital has been encouraged to invest in Liberia on the basis of mutual benefits for the capital and for the country.

In doing this Liberia offers a government that has been stable for over a century. It grants exemptions to investors for a limited period of years. It has a fair and equitable tax structure and does not believe in confiscatory taxes. There are no restrictions on the transfer of capital or earnings.

Many American and European companies have taken advantage of these conditions to invest in Liberia also on the basis of mutual benefits for the companies and for Liberia. Among them are the Liberia Mining Company, B. F. Goodrich, Inc., African Fruit Company, Liberian-American-Swedish Minerals Company, and others.

The Government of Liberia has been pleased to confer on the leaders of these and other companies high distinctions because of the part which their companies have played, are playing and are expected to play in the continued development of the country.

Let me say that Liberia believes firmly in the majesty of the law and feels that law should be applied fairly to all alike regardless of race or origin.

NPA

The Government of Liberia feels that treaties and agreements should be considered sacred, binding and inviolable. They should not be unilaterally abrogated since mutual trust, respect and confidence are foundation stones in mutual relationships.

Liberia offers a good example of how these principles have been adhered to. At no time has she unilaterally abrogated any agreement. Whenever differences have arisen between investors and Government, these differences have been resolved by negotiations and agreements have been reached, modified only upon mutual consent of the parties.

Notwithstanding foreign capital is playing a part in the development of Liberia, the Government of Liberia has planned, instituted and operated a large scale development program of its own in public works, communications, sanitation, health, education, agriculture and commerce. These programs have been of inestimable value to both the Government and the foreign companies with investments here.

We are also aware of the part that enlightened private capital can play in the development of underdeveloped countries and will continue to encourage such investment on the basis of mutual benefits. The Liberian Government and people will also continue to pursue their own programs and development of the country with all the energy, zeal, and resources at their command.

It is to be hoped that private capital seeking to invest in foreign areas will pursue an enlightened policy and invest in a manner that benefits may accrue to both sides.

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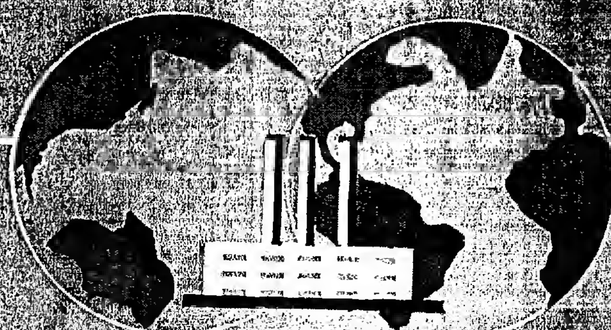

THE CASE STUDY OF THE FIRESTONE OPERATIONS IN LIBERIA

NATIONAL PLANNING ASSOCIATION

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THE FIRESTONE OPERATIONS IN LIBERIA

BY

WAYNE CHATFIELD TAYLOR

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*Due to absence from the country, Mr. Pickett was unable to participate in the action of the Policy Committee approving the publication of this report.

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THE EXECUTIVE MANSION
Monrovia

November 8, 1956

My dear Mr. Symington:

Liberia was founded by American benevolence through a philanthropic institution known as the American Colonization Society which gave assistance during the early stages of the existence of the country.

Liberia was never a colony of the United States of America but of those American citizens who made up the American Colonization Society. But the Government has always given moral support to the Republic of Liberia.

It should be remembered, however, that, at the time of the founding of Liberia, the colonizing activity of the European powers in Africa was at its peak. That Liberia survived through that period should be considered a miraculous achievement attributable to the political statesmanship and genius of her leaders.

But boundary questions arose ever and anon between the Government of Liberia and some of her neighbors and she sought American political intervention.

Very little support was forthcoming and at the close of of the first World War, Liberia sent Secretary of State C. D. B. King, then President-elect, to the United States to negotiate a five million dollar loan. It was approved by the Executive Government and the House of Representatives but was never approved by the Senate.

Shortly after that the restrictive Stevenson plan for rubber was approved in England and the late Mr. Harvey S. Firestone announced the slogan that "America must grow its own rubber."

After Mr. Firestone made a final decision to seek a concession in Liberia to grow rubber, Liberia was assisted by the United States in negotiating a loan with the Finance Corporation of America, a Firestone subsidiary.

One of the main reasons why the terms of the loan were accepted was political rather than economic. Border incidents and boundary disputes thereafter ceased.

Firestone has contributed in large measure to the economic development of the country. At the same time the Liberian Government has instituted and operated large scale development programs in public works, communications, sanitation, health, education, agriculture and commerce.

The success of the Firestone venture in Liberia is proof of the part enlightened private capital can play in the development of underdeveloped countries on the basis of mutual benefits.

Liberians are aware of the need for further foreign investment in Liberia and realize the benefits to be derived by the country from this type of investment.

It is to be hoped that this case study will be of interest to other companies who may wish to invest in Liberia and underdeveloped countries.

Faithfully yours,

Mr. Charles J. Symington
Chairman, Policy Committee for NPA Case Studies
National Planning Association
230 Park Avenue
New York 17, New York

PREAMBLE

TO

THE FIRESTONE OPERATIONS IN LIBERIA

THIS STUDY of The Firestone Tire and Rubber Company's operations in Liberia is the fifth in our series on U.S. Business Performance Abroad. This time we go to Africa, that great continent whose fast moving development is of such importance to the world. Considering the close ties between the founders of Liberia and our country, it is fitting that a U.S. company has become so closely linked to the growth and hopes of this small and vigorous African republic.

It was only 30 years ago that the Firestone Company began commercial operations in Liberia. These operations were initiated after several years of study and negotiations, which were concluded in 1926 with the signing of three agreements with the Liberian government. The first agreement was essential for Firestone's operations as it enabled the Company to develop and produce natural rubber by giving the Company the rights to rent from Liberia up to one million acres of land for a term of 99 years. The second agreement provided financial help for the hard pressed nation, while the third concerned Firestone's assistance in building a harbor in Liberia. The last proved impracticable, and was short-lived; while the loan agreement was carried out, and completed by 1952.

As the report brings out, Firestone brought into existence a number of subsidiaries that served not only its own needs but also those of Liberia and its people. In addition to the Firestone Plantations Company, one subsidiary—The United States-Liberia Radio Corporation—built and operates a trans-Atlantic radio service; another—The United States Trading Company—acts as an importer, warehouseman, and wholesaler of supplies of all kinds needed by employees of the Company and other Liberians. A third was the Bank of Monrovia organized in 1938, which was sold in 1955, to supply badly needed banking services in the country. A fourth—now inactive—was the Liberian Construction Company, formed during World War II to build and maintain roads for the Liberian government. Fifth was the now liquidated Finance Corporation of America which administered the loan agreement.

Firestone was one of the first U.S. companies to invest in Africa south of the Sahara, and one of the very few such companies to undertake large-scale tropical plantation operations. It should be noted in this connection that while Firestone had no experience with rubber plantations before entering Liberia, it very wisely rejected many of the practices of European forerunners in other parts of the world. The most notable departure was in the realm of human relations, where it established advanced and liberal policies in the recruitment and direction of its plantation labor force. Firestone was more than just a pioneer in Liberia. It brought hope—translated to reality by technical, scientific, and human skills—of lifting the levels of living, education, and health of the Liberian people. It has supported and nurtured many other economic activities that give promise of balanced development while expanding through research the productivity of Liberia's greatest assets—its people and its land.

We in the United States know so little about Liberia that the author was encouraged to give more than usual coverage to the economic, social, and political background of the nation. An understanding of how embryonic was Liberia's development when Firestone entered the scene in 1926 permits better evaluation of Firestone's contributions to the country.

The author and the National Planning Association are grateful to the many employees of Firestone in the United States and in Liberia who made information available for our study, and to many Liberians and Americans, governmental officials and private citizens, who did likewise.

Eugene W. Burgess

Eugene W. Burgess
Director of Research

October 1956

★

THE FIRESTONE OPERATIONS IN LIBERIA

by

Wayne Chatfield Taylor

★

I.

Liberia–Past and Present

THE NATURAL RUBBER INDUSTRY plays as great a part in the Liberian economy as does the petroleum industry in the economies of many other more or less underdeveloped nations. Nevertheless, there is an important difference. The development of petroleum production was made possible by the pioneering of many companies, principally American, British, and Dutch. But the development of Liberia as a major source of natural rubber resulted solely from the conviction of Harvey S. Firestone that the United States needed a source of natural rubber for strategic as well as economic reasons and that such a source could be developed in Liberia.

This study attempts to describe in some detail how this conviction became an important reality. But underlying the facts, arresting as they may be, there seems to run a thread of what can only be explained as destiny.

For example, the motto of the Republic of Liberia, *the love of liberty brought us here,* explains to some extent the early success of

Liberia's pioneering founders, and it explains some aspects of its survival and progress. However, if Firestone had not reached an agreement with Liberia in 1926, Liberia, at the initiative of European colonial powers, might well have lost its independence during the following decade; there would have been little natural rubber production of any importance available to the Allies after early 1942; there would have been no Roberts Field; there would have been no Free Port of Monrovia; no Liberia Mining Company; no Liberia Company.

Liberia is still an independent Negro republic, and it has maintained its often tenuous existence with help in varying degrees from the U.S. government and religious groups. It now appears to be well on the way to transition from a primitive, predominantly tribal, agricultural society to a modern political state with diversified resources and a healthier and better educated population. Granted, it still has a long way to go; but, if it maintains the momentum attained during the past decade, the goals should be achieved.

The Physical Setting

Liberia is located on the coast of West Africa, just past the point where the great bulge of the continent turns northward. The country has an area of approximately 43,000 square miles, only slightly larger than the state of Ohio. On the southwest, there is a long Atlantic coastline of some 350 miles; to the northwest lies the British colony of Sierra Leone; on the north is French Guinea, and the French colony of the Ivory Coast borders the east.

Situated between 4° and 8° north latitude, Liberia is in the heart of the tropics and its climate and weather are determined by the closeness to the equator and the long reaches of the Atlantic Ocean to the south and west. The country has two seasons—a relatively dry, hot period from November to April, and a very wet, cooler period from mid-April to October. Some rain falls during the dry season, chiefly as brief though intense showers and thunderstorms, but the bulk of the rainfall occurs from April to November. Total annual rainfall averages around 200 inches along the coast, falling to about 70 inches in the northern interior. March is the hottest month, with daily temperatures in the high 90's in the coastal plain and somewhat lower inland. Even during the dry season, the humidity is generally high, particularly in the coastal plain.

The low coastal plain varies in width from 20 to 40 miles. Inland, the country slopes upward, rather abruptly in some places, to an alti-

tude of about 800 feet, and is articulated by rolling hills and occasional small ranges of low mountains. Near the French border, the terrain meets the great central plateau of West Africa and the mountains are higher, some reaching altitudes of more than 4,000 feet. Numerous small rivers and streams flow from the interior across the coastal plain to the ocean, emptying at frequent intervals along the coast into shallow bays and lagoons. The river gradients are steep and the many rocks and rapids prevent navigation beyond a few miles from the ocean.

The whole of Liberia must originally have been covered by high tropical rain forest, but this has largely disappeared in the sections where the bulk of the population is concentrated—along the coast, around the frontiers, and on both sides of the single road which now traverses the heart of the country from the capital city of Monrovia to the French Guinea boundary. This leaves two large sections of the country still in original jungle—called "high bush"—and populated by only a few scattered villages. Elsewhere, the terrain is mostly covered with secondary forest—"low bush"—which is periodically cleared for cultivation and then allowed to revert to natural growth.

Liberia's greatest natural resource—potential and developed—is its pre-eminent ability to produce tree crops, both wild and cultivated. The high rainfall, humid climate, intense sunlight, and predominantly lateritic soils provide all the elements needed for rapid and luxurious tree growth. In contrast, its porous soils can quickly lose their humus, essential plant minerals, and top soil moisture under open field cultivation. Their protection from the sun's heat and the eroding and leaching action of the excessive rainfall requires cover crops and adequate ditching and drainage. Particularly in the more heavily populated and cultivated coastal plain, there are spreading savannah lands and barrens where such soil deterioration prevents reversion to forest.

The mineral resources of the country are also promising. Some of the richest iron ore in the world is today being mined at Bomi Hills, about 50 miles north of Monrovia. Other iron ore deposits—said to be as rich and even more extensive—are reported in north central Liberia. Diamonds have been mined—in some years in substantial quantities—and gold has been found both in alluvial deposits and placer workings. Numerous other metals and minerals are reported to occur, including bauxite, manganese, lead, graphite, mica, corundum, and ilmenite (titanium).

Beyond its tree crops and minerals, Liberia is not well endowed with natural resources. Its numerous and rapid rivers contain a promising

hydroelectric potential, but there are apparently no coal or petroleum deposits in the country. The nearest fishing banks are more than a hundred miles northwest, off the coast of Sierra Leone, and are accessible only with modern ocean-going trawlers. The native fauna, particularly game animals, are small and scarce. The tsetse fly is prevalent and has deterred development of beef cattle and dairy herds. However, the Liberian government is now actively experimenting with the development of disease-resistant varieties.

Highlights of Liberian History

The story of modern Liberia begins during the winter of 1816-17 with the founding of the American Colonization Society by a group of prominent political leaders, ministers, and philanthropists in Washington, D.C. The Society's constitution stated its purpose to be "to promote and execute a plan for colonizing, with their consent, the free people of color residing in the United States, in Africa, or such other place as Congress shall deem most expedient."

The motives which underlay the formation of the Society were mixed. Many members of the Society were animated by humanitarian considerations. Others believed that the presence of growing numbers of freedmen and their descendants would have a disturbing influence on the slaves and that an opportunity should be provided for the freedmen to settle elsewhere. Still others, particularly government officials, desired a suitable place in which to disembark Africans liberated by the U.S. Navy from illegal slave-trading ships.

From Colony to Nation

Colonizing activities began in 1820 with the cooperation and material assistance of the U.S. government. Two government agents, one agent of the Society, and 88 Negro colonists attempted without success to found a settlement on Sherbro Island in what is now Sierra Leone. In 1822, the survivors of this abortive expedition, augmented by a group of new colonists, were able to make the first permanent settlement in Liberia on Providence Island in the shallow, sheltered estuary behind Cape Mesurado. The tiny island proved inadequate, and the colonists soon moved across the few yards of water to the Cape itself, calling their new settlement Monrovia in honor of James Monroe, then President of the United States.

Between 1822 and 1867, after which immigration became only a tiny trickle, about 13,000 Negroes from the United States settled in Mon-

rovia or at other places along the coast. In addition, about 5,700 Africans rescued from slave-trading ships by the American and British navies were liberated in the area, and most are believed to have been assimilated into the new settlements.

The stretch of West African coast on which these settlers established themselves, aside from a few slave-trading stations, contained no foreign settlements. It was often called "the white man's graveyard" in consequence of the very high incidence of malaria and other tropical fevers. Indeed, a large proportion of the Society's agents and other Americans and Englishmen who aided the struggling new colony succumbed to these diseases after a few years in Liberia or on return to their homes. And many of the settlers themselves succumbed.

Disease was by no means the only difficulty. There was also the problem of relations with the native tribes of the region. In general, land was purchased under treaties with the local chieftains. But difficulties would soon arise, often abetted by slave traders who feared that the colony, once successfully established, would soon take steps to prevent their illegal and inhuman activities. The colonists were usually victorious in the frequent fights owing to their superior arms and the occasional intervention of U.S. and British naval vessels which happened to be in the vicinity.

A more serious difficulty was the attitudes and expectations of the settlers themselves. The Honorable Ernest Jerome Yancy, Liberian Cabinet Secretary of Public Instruction, points out in his recent, authoritative history of his country:

> The spirit of pioneering, self-initiative to migrate and the spirit of ingenuity akin to the spiritual equipment of the pilgrim fathers of the United States and those of other countries were apparently lacking among the first group of settlers of Liberia. This may, however, be accounted for when one considers the educational, cultural, social, and economic background and preparedness as well as the purpose and philosophy of these settlers.[1]

According to Yancy's history, the consequence was an "absolute dependent spirit of the colonists upon support from the [American Colonization] Society when there was much land from which they could have produced enough vegetables to live upon or augment their supplies—rations that were sent from America."

A further difficulty was the fact that there were no laws or fixed administrative rules governing the political and legal life of the new

[1] Ernest Jerome Yancy, *Historical Highlights of Liberia's Yesterday and Today,* New York, N.Y., Herman Jaffe, 1954, p. 19.

colony. Eventually, both the settlers and the Society recognized that survival depended upon some measure of self-government, which could stimulate a sense of participation, responsibility, and initiative. In 1824, the secretary of the Society visited Africa and prepared a constitution providing for a governor and other officials, and naming the country "Liberia."

The country's early governors were white Americans appointed by the Society, and they served simultaneously as agents for the Society and for the U.S. government in connection with suppression of the slave trade. Most of the Society's agents were New England ministers, who literally gave their lives to their work. The most devoted was a young Congregationalist minister, the Reverend Yehudi Ashmun, who served as agent from 1822 until shortly before his untimely death in 1828. During these crucial early years, his courage, versatility, and energy were in no small measure responsible for the security and progress of the new settlements. Liberians still gratefully remember his services, and Monrovia's principal street is named in his honor.

By the 1830's, Liberia was largely self-supporting, immigration continued, and settlements spread along the coastal plain in both directions from Monrovia. As the colony multiplied and prospered, it outgrew the rather sketchy constitution of 1824, which allowed only limited participation by the settlers in the government. In 1838, the Liberians themselves drew up a new constitution, later approved by the Society, centralizing the administration of all the new settlements in Monrovia, except for the settlement called "Maryland" at Cape Palmas, which continued as a separate colony.

Despite the fact that it had a functioning government which successfully maintained law and order, Liberia was in an anomalous position. It was in no legal sense of the term a colony of the United States, and the U.S. government took pains to make this clear. As a private voluntary organization, the American Colonization Society could not be recognized as a sovereign power by the governments of other countries. In theory, sovereignty resided in the settlers themselves, but they neither desired nor believed themselves able to exercise it and become an independent nation. Thus, the settlements on the Liberian coast had no political status in the eyes of other countries.

This situation led during the 1840's to increasing difficulties with citizens of other nations, particularly with the British. The government in Monrovia depended for the bulk of its revenue on customs duties and port and harbor charges levied at the various settlements along the coast. But British merchants trading from Sierra Leone

were unwilling to pay these charges, alleging that they could not do so to a government which had no existence in terms of international law. Their case was supported by the British government and increasingly serious incidents occurred. The Liberians gradually became convinced that the only way out of the difficulty was a formal assertion of their political sovereignty, which meant independence and complete self-government. The Society concurred, and there was reason to believe that the British, too, would welcome this method of resolving the dilemma.

During the mid-1840's, Liberia was governed for the first time by a Negro, Joseph Jenkins Roberts, who became the George Washington of his country. In 1846, Governor Roberts, a man of great ability and vision, believed that the time had come for asserting Liberia's existence as an independent nation. Accordingly, a special election was held in which a small majority of the settlers voted in favor of nationhood. The following year, a constitutional convention adopted a declaration of independence and a political constitution for the new nation—which Maryland in the Cape Palmas region later joined. The constitution, drafted by a Harvard University professor, was modeled on that of the United States. The convention also adopted a national flag similar in color and design to the American flag but containing only one star and 11 stripes.

The work of the convention was ratified at another special election, this time by a more substantial majority. Recognition of the skillful leadership and unwaivering purpose of Governor Roberts in these developments led to his election as President, an office which he twice filled with great distinction, from 1848 to 1856, and again from 1872 until his death in 1876.

Great Britain was the first country formally to recognize the existence of the Republic of Liberia, and most of the other European powers soon followed. Ironically, the United States did not recognize Liberia until 1862. Because of the slavery issue in the United States, it was only after the outbreak of the war between the states that President Abraham Lincoln extended formal recognition to the small and struggling African nation.

Once the difficulties of the early years were overcome, the settlers produced notable achievements. Many possessed skills of various kinds—carpentry, woodworking, masonry, etc.—and some of the attractive buildings they erected during those years are still to be seen, though often in poor repair, in Monrovia and the older towns along the coast. Some of the educated settlers turned to the legal profession and sup-

plied the country with lawyers, judges, and political leaders. A flourishing export trade was also developed in the agricultural produce of the country. Small sailing vessels were built or purchased, and ships flying the Liberian flag played a modest but profitable part in the West African coastal trade.

These developments in large measure resulted from the energy and skill of the first generation of settlers during their most active and creative years. But as they grew older and acquired some financial means, many devoted more and more of their time to politics and to an elaborate social life based upon their memories of the plantation aristocracy of the United States. Moreover, this preference for government work was fostered by the relatively large need in so small a population for officials to carry on the business of government, which involved frequent negotiations with foreign countries and with the various native tribes. By and large, the technical skills and economic initiative of the first generation of Liberians were not transmitted to the second and third generations. Instead, the latter became more and more imbued with quasi-aristocratic standards, valuing leisure activities above manual or commercial work and regarding politics and the law as the only pursuits worthy of descendants of the founding fathers.

In consequence of these attitudes, the economic life of the country tended to stagnate after 1870. Technical skills were lost, and skilled trades in the country were largely carried on by immigrants from the Gold Coast, from the nearby French West African colonies and, toward the end of the 19th century, from the British West Indies. The descendants of the original settlers derived their incomes from farms worked for them by native tribal people, from practice of the law, and from participation in various ways in national politics and government. This situation characterized the whole period from the 1870's until the end of the 1930's.

The Maintenance of National Independence

The Liberians retained and greatly developed one skill which stood them in very good stead. Their addiction to politics and to the law fostered the diplomatic talent which enabled the country to survive as a free and independent nation during the carving up of West Africa by the European imperial powers prior to World War I. and later during the troubled years of the interwar period. Great Britain and France desired Liberian territory to round out their neighboring colonies, and eventually about one-third of the territory which Liberia originally claimed was lost to them. Other European nations also were interested

in the country as a possible foothold for themselves on the West African coast. In addition, none of the imperial powers was happy with the example that an independent Negro republic provided to their own subject African peoples.

The Liberian armed forces could have offered only token resistance to foreign invasion. In fact, the Liberian government exercised little effective authority throughout its vast hinterlands. Financial stringency forced it to borrow money at high cost from European bankers, and the negotiation and subsequent funding of those loans provided opportunities for strong pressures by European governments. Even so, Liberia managed through negotiations, delays, appeals, and occasional support from the United States to preserve its independence and a large portion of its originally claimed national territory. This period of Liberian history, often called "the century of survival," represents a substantial Liberian achievement.

A major source of support for Liberia during the century of survival came from the American Christian missionaries, Negro as well as white, and the American churches have never ceased to work actively in Liberia, not only in the religious field but also in public health and education. Indeed, such educational facilities as the country possessed until World War II consisted largely of mission schools, supported and staffed by American churches of various denominations. The same was true of hospitals and clinics. An example of their continuing important role is found in the contributions of two outstanding American medical and educational missionaries, Dr. George W. Harley and his wife Winifred. In the mid-1920's, they founded a mission station at Ganta, near the French Guinea border, then accessible only by foot trail from Monrovia. There, they have since built vocational and nurses' training schools, a clinic and hospital, and a leper colony, and utilized their medical, educational, and technological skills for Liberia's benefit in a multitude of other ways. In addition, Dr. Harley has become one of the world's leading experts on tropical medicine and West African anthropology, and is without doubt the most respected and widely trusted white man in the country today. The missionaries, by acquainting many Americans with Liberia's problems, have helped to gain public support by Americans for Liberia in times of crisis.

Official U.S. support of Liberia during the century of survival was important, though it was by no means as strong or as active as the Liberians would have liked. In 1862, when the United States recognized Liberia, it also signed a treaty of friendship, commerce, and navigation. Subsequently at critical times, the United States made known to

other countries its "special interest" in Liberia. A significant American contribution was made in 1909, when Liberia was deeply embroiled with England and France over a defaulted loan and boundary disputes. After visiting Liberia, a U.S. commission, appointed by President William Howard Taft, recommended that the United States guarantee Liberian independence and integrity and undertake to arbitrate all future disputes between it and other countries. Though such a guarantee was never formally proclaimed by the President or enacted by the Congress, it was thereafter generally regarded by the European powers as existing on a *de facto* basis.

The most serious of Liberia's disputes with other countries occurred during the interwar period. And it was during this difficult period that Firestone was getting established in Liberia. During the late 1920's, books and newspaper articles began to appear in the United States and England charging the existence of forced labor practices—some tantamount to slavery—in Liberia. Some of these stories were exaggerations; others referred to immemorial tribal customs; the most serious was the allegation that young men were forcibly being shipped to the Spanish colony of Fernando Po to work on the cocoa plantations at considerable profit to Liberian officials who organized this traffic. At first, Liberia's President, Charles D. B. King, who had served with distinction for almost a decade, and the U.S. Department of State denied these charges. But as the accusations persisted, particularly in England, the State Department encouraged President King to appoint an international commission to investigate the truth of these reports. Accordingly, in September 1929, President King asked the U.S. government and the League of Nations each to nominate one member of an International Commission of Inquiry to which he would add a Liberian representative.

The Commission—consisting of an American Negro educator, an Englishman appointed by the League, and a former president of Liberia—reported after a five-month visit to Liberia. It concluded that, though certain types of forced labor existed within the country itself, the most serious manifestation occurred in connection with the shipment under contract of Liberian workers to Fernando Po and nearby regions. The Commission stated:

> A large proportion of the contract laborers shipped to Fernando Po and French Gabun . . . have been recruited under conditions of criminal compulsion scarcely distinguishable from slave raiding and slave trading. . . . This traffic has had the support of the highest officials of the Republic, and had been organized and conducted by Vice President [Allen] Yancy, who has utilized

his subordinates to further it to his advantage, he himself being the chief beneficiary.

Controversy still exists over the Commission's accuracy and how its findings should be interpreted. Over the years, the Liberians have impressively documented their position that the Liberian government had for a long time been working diligently to abolish—and where impossible, to humanize—age-old tribal practices like debtor servitude. As to the handling of contract labor shipped to the Spanish and French colonies, the Liberian government had entered into several agreements with the local authorities, and had appointed resident consuls to ensure correction of abuses and to investigate grievances. But the critics of Liberia also seem to have had good grounds for their contention that some Liberian officials were personally engaged in supplying contract labor and that force and deception were sometimes used to recruit the numbers of men necessary to fulfill these contracts.

There can be no question, however, of the furor created in the United States and Europe when the Commission's report became known to the public in the fall of 1930, and of the acutely embarrassing situation created thereby for President King and the U.S. government. In two strongly worded notes of November 1930 to the Liberian government, the U.S. Secretary of State, Henry L. Stimson, stated that:

> While direct criminal participation in the shipment of forced labor to the Spanish Colony of Fernando Po . . . is established against Vice President Yancy, several district commissioners, county superintendents and many other officials, the President of Liberia and members of his cabinet were aware of these and other abuses. . . . Ten weeks have now elapsed since the formal submission of the [Commission's] report to the Liberian Government. The American Government understands that not only has no action been taken against the officials whose guilt was established therein, but apparently all of these officials continue to hold public office. . . . Unless there is instituted by the Liberian Government a comprehensive system of reform, loyally and sincerely put into effect, it will result in the final alienation of the friendly feeling which the American Government and people have entertained for Liberia since its establishment a century ago.

As a friendly historian of Liberia recently stated, "This was virtually a demand by the American Government that 'all of these officials,' including the President of Liberia, resign." [2] The Liberian Legislature had already started impeachment proceedings against Vice President

[2] R. Earle Anderson, *Liberia, America's African Friend,* Chapel Hill, N.C., The University of North Carolina Press, 1952, p. 109.

Yancy. Before these could get underway, both he and President King resigned, and the presidency passed to the Liberian Secretary of State, Edwin James Barclay.

The U.S. government had for a decade and a half been attempting to induce the Liberians to adopt widespread reforms, including not only suppression of forced labor but, more importantly drastic improvement of the financial and fiscal machinery and practices of the Liberian government, of public health and education, and of transportation and other basic economic conditions. The report of the International Commission seemed to provide a new opportunity to insist upon the adoption and carrying out of "a comprehensive system of reform" which, despite previous commitments, the Liberians had been dilatory in putting into effect. Therefore, the U.S. government refused to recognize the new administration of President Barclay until Liberian abuses were corrected.

A similar attitude was adopted by the League of Nations and the leading European powers, particularly Great Britain. The British took the view that the Liberians were incompetent to manage their own affairs any longer. They urged that the League of Nations appoint a governing commission to administer the country and arrange for a new loan to Liberia to finance a reform program under League supervision. The proposal for a governing commission was unacceptable to the U.S. and Liberian governments, but both were disposed to go along with the League's plan of assistance. The question was how much supervisory power the League's representatives should exercise. Over this question, there ensued a four-year struggle among three parties:

- The Liberian government wanted financial and technical assistance but no supervision by the League or anyone else.
- The U.S. government, strongly backed by Firestone, favored the League's plan but wanted a controlling influence in the supervisory arrangements, lest Liberia fall under the domination of a European power.
- The League of Nations, led by Great Britain, at first insisted upon League control of the supervisory machinery, but eventually agreed to American control.

Despite the combined strength of American and League pressure, Liberian adroitness in delaying tactics and diplomatic maneuvers eventually proved successful in preserving the Liberian government's sovereignty. By 1935, Liberian diplomatic skill and persistence, the

adoption of some reform measures, and a general improvement in the country's economic condition won the victory. The League's plan of assistance was quietly forgotten and the U.S. and British governments officially recognized the Barclay regime.

Since then, and particularly since the beginning of the administration of President William V. S. Tubman in 1944, Liberia has enjoyed substantial economic and political progress. In consequence, the country has been untroubled by international disputes and its international status has steadily improved.

In sum, since the founding of Liberia, the United States has had a special interest in, and a special relationship with, that country. This relationship is hard to define, for it fits none of the traditional categories of political science. Even before its independence, Liberia was not a colony of the United States. Nor, subsequently, has it ever been a dependency or protectorate of the United States. Perhaps the best term would be to call the United States an "elder brother" of Liberia.

The relationship—however it may be defined—was largely passive and intermittent until World War I. This situation changed importantly after the war, when the United States—despite its own still strong isolationist sentiment—became much more actively concerned with and involved in Liberian affairs. With World War II, another new phase in American-Liberian relations began and has continued ever since.

Impact of World Events on Liberia's Economic Development

World War II marks an important turning point in Liberian history, the start of a period of major acceleration of the fundamental changes which began with the coming of Firestone more than a decade before. In much of this development, Firestone enterprises in Liberia had a significant role.

With the outbreak of war in September 1939, the strategic importance of Liberia was soon recognized. Along with Brazil, it was the only source of vital natural rubber bordering on the Atlantic Ocean. It was situated close to the narrowest part of the ocean separating the Western Hemisphere from the theaters of war in Europe and North Africa. Bound to the United States by traditional ties of friendship, it could provide an African base on independent territory for American armed forces defending the South Atlantic.

Wartime Development Programs

In 1940, the U.S. government asked Pan American World Airways to construct or improve airfields in Latin America and Liberia to be used initially for commercial purposes but for national defense should the United States be drawn into the war. In turn, Pan American asked Firestone to construct the Liberian field, as the latter was the only organization, American or Allied, already established in Liberia, which possessed the required resources and operating experience in that country. Firestone responded immediately to this request, advancing its own funds and commencing work before a contract or even a letter of intent had been received. A site was chosen on the Farmington River, adjacent to the main Firestone plantation at Harbel, where ocean transportation facilities, fresh water, electric power, equipment, engineering personnel, and construction labor were readily available, and where costly, time-consuming road building was unnecessary. By January 1942, planes were using the airport, which was named Roberts Field in honor of Liberia's first President.

With the entry of the United States into the war, Roberts Field soon became a vital link in the air routes not only to North Africa, the Near East, and Soviet Russia but also to the whole Pacific and Southeast Asia theater. The U.S. Army Air Force took over the field, extended the runways, and added a power plant and facilities for a garrison of over 5,000 American troops. Traffic grew to about 600 planes a month during the closing years of the war. This large-scale air activity and the presence of the many Americans needed to operate and protect the field had a major impact in helping to shake Liberia out of its long period of stagnation. An important contributing factor was the establishment by the Liberian government of the U.S. dollar, in place of the pound sterling as the official currency of the country.

Other developments arising from the establishment of Roberts Field were equally important. American operation of the field was governed by an agreement between the U.S. and Liberian governments. In return for American use of Roberts Field and other installations in the country, the United States pledged itself to help defend Liberia against aggression. Further, as a voluntary contribution to the Liberians, the United States agreed to construct motor roads linking Monrovia with Roberts Field and with a seaplane base near the Sierra Leone border. When the seaplane base was abandoned, the moral obligation to build a road to it was by mutual agreement transferred to help with another long cherished project. This was to link up the small stretches of road already existing between Monrovia and Ganta—and beyond the latter

to Sanniquellie—in order to create a continuous, all-weather motor road from the capital to the French Guinea border. The work was started by the U.S. Army, but the war ended before the last section from Gbarnga to Ganta was built. This was finished after the war by Firestone under a contract from the Liberian government, the cost of which was met by a grant of American funds. Thus, Liberia obtained the basic transportation facility without which the opening up and development of the interior of the country would have been impossible.

The second major consequence of American use of Roberts Field was the building of the Free Port of Monrovia, another indispensable precondition for the economic development of the country. Hitherto, all ocean-going vessels had to anchor in an unprotected roadstead a mile from shore and load and unload their cargoes by means of dangerous and costly surf boats. The Liberians had long wished for a deep-water harbor with proper docking and storage facilities. When Firestone first came to Liberia, it had agreed to undertake such a project, but, when a survey subsequently indicated the difficulties and expenses involved, the idea was abandoned with the acquiescence of the Liberian government.

In January 1943, President Franklin D. Roosevelt visited Liberia on his return from the Casablanca Conference. In the course of a day spent with President Barclay, the two heads of state spoke of the need for a port at Monrovia, and President Roosevelt promised American help. Shortly thereafter, President Barclay and President-elect William V. S. Tubman visited Washington and arrangements were initiated for constructing a modern port at Monrovia with Lend-Lease funds. Under supervision of the U.S. Navy, a private U.S. firm completed the work in three years. The cost, along with bridges, access roads, and subsequent improvements, was over $22 million.

The port opened for commercial use on July 26, 1948, Liberia's Independence Day. It is owned by the Liberian government and is operated by a Port Management Company, whose directors include representatives of the Liberian government and of the American steamship lines and plantation, mining, and oil distributing companies using its facilities. Earnings in excess of 10 percent are allocated to necessary expansion and improvement and to amortizing the Lend-Lease loan. The Liberians accepted the advice of American officials that the port include a Free Zone, and Liberia has already reaped significant benefits from this arrangement, which makes it a transit point for goods moving to and from the interior of French Guinea and other parts of West Africa.

Postwar Investment for Development

American participation in Liberia's development has actively continued into the postwar period. After the completion of the port, negotiations began for additional aid to Liberia. Two Export-Import Bank loans were agreed upon in 1951—one of $1.3 million to build a water and sewerage system for Monrovia and a second of $5 million for improving and extending the road from Monrovia to Ganta. A third Export-Import Bank credit of $15 million was established in 1955 to be used for extensive new road building in the interior.

Liberia has also qualified for help under the technical cooperation program of the U.S. government. Since this program started in 1952, Liberia has received over $9 million for technical cooperation, mainly in the fields of agricultural and natural resource development, health and sanitation, and public education. In addition, United Nations agencies, including the Food and Agriculture Organization, the World Health Organization, and the United Nations Educational, Scientific and Cultural Organization, have been providing smaller amounts of technical assistance in their respective fields.

Private capital has played as important a part in the economic development of Liberia as the various kinds of public funds received during and since World War II from the U.S. government and the specialized agencies of the United Nations. Including Firestone, the total private U.S. capital invested in Liberia at present can be roughly estimated at more than $50 million. To this should be added another $7.5 to $10 million of private German, Spanish, Italian, Swiss, French, and Lebanese investment. The great bulk of this private foreign investment is in agriculture and mining, with much smaller portions in air transport, shipping, manufacturing, and distribution.

Except for Firestone, this private investment has largely been made possible by two major factors—the building of the airfield, the Free Port, and the road system; and the so-called "open door" policy of President Tubman, adopted when he assumed office in 1944 and continued ever since.

From the outset of his administration, President Tubman recognized three ways by which the economic development of Liberia could be undertaken. The first was the authoritarian way, under which the Liberian people would be forced to save from their own limited production the resources needed for capital investments. But this way was unthinkable for a country devoted since its birth to democratic principles and whose production barely exceeded the needs of a subsistence

standard of living. The second method was to obtain the necessary investment capital from other governments—in this case the United States—and from international organizations. However, President Tubman and his advisers recognized that the many higher priority claims from Europe and Asia upon U.S. grant funds and Liberia's own limited capacity for servicing and repaying intergovernmental loans restricted the amounts of capital which could be expected from these sources. The third method was to encourage the inflow of private foreign capital. In the end, the Tubman administration decided upon a combination of the second and third ways.

This decision was not easy, and it is a tribute to the maturity of thinking and the self-confidence of the Liberians. Despite occasional official protestations to the contrary, many underdeveloped countries are fundamentally suspicious of, if not hostile to, private foreign capital—either for doctrinaire socialistic or nationalistic reasons or because they have had unhappy experiences in the past with irresponsible and rapacious foreign investors. For their part, private investors—particularly Americans—have been reluctant to entrust their funds abroad in the postwar period owing both to the profitable opportunities for investment at home and to the uncertainties of investment in underdeveloped countries. This has meant that, to attract private foreign capital, the Liberian government has not merely had to be willing to receive it, but also has had to provide explicit assurances of reasonable security and such positive incentives as liberal incorporation and patent laws, equitable tax treatment, and freedom to remit earnings and repatriate capital.

Thus, the open door to private foreign investment in Liberia has involved risks on both sides. For the Liberian government, it entails the risk that some irresponsible private investors may inadvertently be admitted. There is also the danger that foreign capital, however well intentioned, may eventually control too large a proportion of the national wealth, though some protection against this possibility is provided by the fact that foreigners and foreign companies cannot own land. For private investors, there is the risk that nationalistic opposition to private foreign capital may one day become so strong as to endanger their investments. These risks have been minimized through vigilance and mutual trust, which so far have been the keys to the success of Liberia's open door policy.

The Liberians' own efforts, combined with financial resources provided by the U.S. government and private foreign investors and the technical and managerial skills available through the various assistance

programs, have brought Liberia well into the first stage of the long and difficult transition from a predominantly subsistence tribal society to a modern democratic state with rising productivity and living standards.

The Liberian People and Their Way of Life

No census has ever been taken of the Liberian people, but the Liberian government estimates the total population of the country to be in the neighborhood of two million. However, on the basis of the recent aerial mapping of the country and sample hut counts it is believed that the total population might well be less. In the past, it has been customary to divide the population into two groups—the so-called "Americo-Liberians," descended from the original settlers and numbering between 15,000 and 20,000, and the indigenous tribal people, constituting the rest of the inhabitants. However, this distinction is becoming less valid as the impact of modern ways of living and working makes itself increasingly felt in the country.

For the future, a more meaningful distinction would be based less upon ancestry than upon manner of life. Today, about 150,000 people —including the old Americo-Liberians—are more or less fully involved in the money economy of the country and participate in its political life. Most are tribal people, or descendants of tribal people, the bulk of whom have permanently left their tribal villages or return only for relatively brief intervals. The rest of the population is still mainly dependent upon the traditional subsistence economy, is still largely outside the national political life, with social and cultural characteristics predominantly those of the primitive tribal society. However, no sharp line can be drawn between the two groups, which tend to shade imperceptibly into one another. For the purposes of this chapter, the smaller, but rapidly growing, group will be called "Liberians" and the rest will be referred to as the tribal people—though all are citizens of Liberia.

Participation in the Money Economy and Political Life

Though most "Liberians" still speak tribal dialects of the indigeneous West African languages, the common tongue and the official language is English. Most Liberians live in the coastal plain, on the foreign concessions, and in the larger towns and villages in the hinterland, particularly along the main road to the French Guinea border. As

roads are built, increasing numbers are moving inland, where new recruits from the tribal society are also constantly swelling their ranks.

Except for the category of casual unskilled labor, all of the wage-earning occupations are filled by these Liberians. Most of the semi-skilled and skilled workers on the foreign concessions and the native-owned commercial farms and plantations are Liberians. They carry on the service industries in the large towns, drive the growing numbers of trucks and buses, and furnish the manpower for the police and the Liberian Frontier Force, the national army. Many operate small farms of their own. Others, particularly the Americo-Liberians, own commercial plantations and farms; staff the administrative and judicial posts in the government; engage in politics, the legal profession, and religious activities; teach in the schools; and work in hospitals, clinics, and mission stations.

There is one occupation, however, in which the Liberians have not yet shown much interest. This is what may broadly be called entrepreneurship. For complex reasons, there are, as yet, very few Liberian businessmen. In part, the lag is caused by the particular stage of Liberia's economic and social development. Business opportunities and knowledge are still limited; capital accumulated in the hands of private individuals is relatively scarce; economic risk taking is an unfamiliar experience; and mutual confidence in one another's business judgment and financial integrity is largely lacking. In part, too, it results from persisting quasi-aristocratic attitudes and standards characteristic of the preceding generations of Americo-Liberians. Politics, government service, and the legal and teaching professions still tend to be regarded as the most worthwhile occupations and conspicuous consumption continues to absorb the largest portion of accumulated incomes. To the extent that private Liberian investment occurs, it is still mainly in agriculture, in housing, and in foreign—principally American—securities. However, recently some of the younger Liberians, mostly foreign-educated, have begun to invest in commerical ventures—fishing, banking, and small manufacturing. Vice President William R. Tolbert, Jr. is credited with stimulating this development.

In consequence of this situation, the commercial life of the country is almost completely in the hands of the Lebanese, in whose small retail shops—located in every town and village—the Liberians work as clerks. Lebanese have largely displaced the Mandingos, traditional West African traders, although the latter continue some trading activities in Liberia. There are about 2,000 Lebanese in Liberia, and virtually every village—no matter how remote—has at least one Lebanese

shopkeeper. In the larger hinterland villages and towns, they are also the local produce merchants for rice and other salable agricultural commodities, and most of Liberia's export trade in cocoa, coffee, piassava fiber, palm oil, and palm kernels is in their hands. In most cases, the Lebanese do not become permanent residents of Liberia, but return to their native land after accumulating enough money to purchase a farm or business at home. Many of the skilled Negro artisans —woodworkers, metalworkers, masons, etc.—who operate their own independent workshops are from the Gold Coast and other parts of West Africa. All active plantation, mining, manufacturing, banking, and shipping enterprises of any significant size have been started and are owned and managed either by U.S. and European companies or by the Liberian government itself.

Nevertheless, many Liberians, particularly those with some education, are intensely interested in economic advancement and are eager to see their country benefit from development of its natural resources and improvement of its productivity. They are proud of their country —of its origins, its history, and its present plans and future prospects. They take great satisfaction in pointing out that Liberia has been and still is the only independent Negro republic in Africa. Hence, they regard their country as living proof of the capacity of Africans for self-government and self-improvement and they think of themselves as leaders in the movement for African independence and progress. For these reasons, they are also highly sensitive to criticism from foreigners.

The Tribal Society

In contrast to the national consciousness of the Liberians is the local orientation of the tribal peoples. Anthropologists have distinguished about 20 separate tribes. Although there are cultural differences among these tribal people, their social organization, economic activities, and religious beliefs and practices are similar. The basic unit of tribal society is the household, consisting of a husband, his wife or wives, their children, and dependent relatives. Individual households of brothers and married sons are grouped into families, usually headed by the father, if still vigorous, or the eldest brother. The families, in turn, are grouped into clans of collateral relatives, and the clans into tribes speaking a common language or dialect and presumed to be descended from some legendary common ancestor.

The tribal people live in villages, the smallest of which may consist only of the two or three households belonging to a single family. Larger villages—called towns—may contain a hundred or more fami-

lies, all members of the same clan. The clan usually embraces several towns, large and small.

Authority is vested in the head of the family, who is in turn subordinate to the town chief. The clans are presided over by clan chiefs, who are usually the town chiefs of the largest town within the clan area. The heads of the tribes are called paramount chiefs. After the Liberian government began to exercise active and continuous control over the tribal people, the hinterland was divided into three provinces, which were in turn subdivided into administrative districts. In each district, there are one or more paramount chiefs, usually selected by the local clan chiefs and elders and approved by Monrovia. They are the point of contact between the Liberian government and the tribal people and they exercise a general administrative and judicial authority over the tribes and clans subordinate to them. The paramount chiefs are supervised by Liberian district superintendents appointed by the president of Liberia.

The economic life of the tribal people centers around agriculture and, following age-old customs, agriculture is still organized on a family basis. Men, women, and children all take part in the still primitive methods of planting, harvesting, and storing crops. By far the most important crop produced by the tribal people is upland, or dry, rice; next is cassava (manioc). These provide the main staples of the country's diet. The tribal people also raise supplementary crops, including such tubers and vegetables as eddo, sweet potatoes, okra, peppers, tomatoes, cucumbers, eggplant, cabbage, squash, and certain types of beans. Also, every village and town has its oil palm trees which, along with peanuts, supply the fats and oils in the native diet. Coconuts and kola nuts are raised; banana, plantain, papaya, and avocado trees abound; and most villages and towns also have a few mango, citrus, and other tropical fruit trees.

The wide gap which remains to be bridged between modern agricultural methods on commercial farms in Liberia and those of the tribal family is illustrated by prevailing methods for raising rice and cassava in the hinterlands.

The men of the family will cut down and burn low bush on a plot large enough to supply the family's rice needs but not too large to be worked with the available family labor supply. The resulting wood ash provides the only fertilizer. On bare patches of soil, amid half-burned logs and stumps, the women and older children drop the rice grains in shallow furrows scratched with hoes or wooden sticks. No weeding or cultivating is done.

The rice usually grows rapidly after the onset of the rains, fending for itself until the rice heads begin to form and the resulting onslaught of rice birds. Although the children and old people continuously beat drums, shake rattles, and wave branches to frighten away the rice birds, a substantial portion of the crop disappears down the gullets of these numerous and voracious feeders or is consumed by the multitudes of insects infesting the country.

The rice is cut and threshed by women and children, then stored in baskets under the roofs of the native huts, where it is protected from humidity by smoke from the household fire and from insects and rodents. If there is more rice than the family's anticipated needs until the next harvest, the surplus is usually sold or bartered to the local Lebanese shopkeeper.

After the rice is harvested, cassava is generally sown in the cleared field. It requires no care, and, after harvest, the field is allowed to revert to jungle. Although land is plentiful, this practice of returning land to natural growth for seven or eight years sometimes necessitates the use of land at considerable walking distance from the larger towns and villages. And in some cases, as population has increased, families have moved into the fringes of the tall rain forest and undertaken the laborious task of clearing rice plots in the high bush. Recently, however, the Liberian government has taken steps to protect the still extensive stands of virgin forest.

Except in occasional bad years, the ground and tree crops provide enough calories for a reasonable subsistence diet for the country, and starvation or endemic hunger caused by a general shortage of food is unknown. However, there is serious malnutrition among both tribal people and Liberians in consequence of a severe protein deficiency. Domestic animals in Liberia fend for themselves, which severely restricts both their numbers and their size. Dwarf varieties of goats, sheep, and pigs, found in limited numbers in most villages and towns, scavenge in dump heaps and browse on wild vegetation, and chickens and guinea hens scratch for insects in the streets. These small and ill-fed creatures provide the bulk of the very inadequate meat supply of the country. The forests have been overhunted for decades and game animals are now very scarce. The same is true of freshwater fish. Though all manner of rodents, reptiles, and insects are avidly eaten by the tribal people, this protein source is too small and uncertain to make up much of the deficiency.

Formerly, the tribal people made the few simple tools and utensils which they required and wove their own cloth from home-grown cotton.

Now, they are more inclined to fill their few needs at the local Lebanese shops which stock a variety of imports from Europe or America, including pots, pans, knives, machetes, garden tools, lanterns, blankets, cotton goods, and T-shirts and tennis shorts—the latter rapidly displacing the traditional loin cloth and singlet as the preferred style of male attire among both Liberians and tribal people. These purchases are made either on credit against future delivery of marketable agricultural surpluses or for cash which the men earn for casual, unskilled labor on the roads, the foreign concessions, and the Liberian farms.

Though native handicrafts never attained the technical or artistic proficiency of other parts of West Africa, the tribal people have always been skillful house builders. The typical native hut is a round or square structure made of tightly packed, dried mud supported by a wattle frame and covered by a steep, overhanging, conical thatched roof. The outside and inside walls are periodically wetted and rubbed smooth and are sometimes covered with white clay or painted in geometric or crude figured designs. These graceful houses are built with incredible rapidity, last for years if properly maintained, and provide excellent protection against rain and heat.

The way of life of the tribal people is still largely uncomplicated by the pressures and tensions now affecting the inhabitants of many other underdeveloped countries at later stages of the transitional process. Indeed, some of the fears and anxieties that plagued the traditional tribal society have been substantially mitigated during the past quarter century. Through the Liberian government's efforts, tribal warfare has been suppressed for many years; various indigenous forms of forced labor and debtor servitude have been greatly reduced, though not completely extinguished; widespread famines have been prevented by imports of food and improved inland transportation; hospitals, clinics, and schools are being built in tribal areas; and the worst cruelties and terrors of the old native religion have been legally prohibited and are slowly dying out.

Nonetheless, custom and tradition still largely rule the tribal life, and remain stronger sources of authority than the personal power of the town and clan chiefs or the legal power of the paramount chiefs and the Liberian government. The "zo" or native witch doctor—a combination of priest and dispenser of "bush medicine"—is still greatly feared and respected. The Liberian forms of the pervasive West African secret societies are still strong and are widely feared. Though the dread Leopard Society—with its bloody human sacrifices—has

been suppressed by the government, other secret societies (the Snake People, the Water People, etc.) have adherents not only among the tribal people but among educated and highly-placed Liberians as well, and unaccountable disappearances of men and boys even in Monrovia and the coastal towns are occasionally attributed to their gruesome rituals.

Integration of the Tribal People

Relations between the two parts of the population are changing. In the early days, the tribal people were viewed by the Liberians with a mixture of contempt for their primitive way of life and of fear of their numbers and potential power. They were not really recognized in the organization of government. Economically, they were regarded as no more than a source of cheap or unpaid labor and of such taxes as could be levied against those within reach of the government's authority. No provision was made for their education, improvement of their health conditions, or economic advancement. For all practical purposes, they were treated as a subject people and not as members of the Liberian nation with the rights and privileges pertaining thereto.

This attitude began to change at the beginning of the 20th century. Various administrative arrangements were tried from 1910 until 1932, when the main outlines of the present system were adopted. The greatest progress, however, has been made since the election of President Tubman in 1944. He has consistently followed what he calls the "unification policy"—that is, the gradual integration of the tribal people into the political, economic, and social life of the country and their eventual participation as full and equal citizens.

The unification policy is based upon recognition of the fact that it would be neither desirable nor practicable to attempt to dissolve the tribal society rapidly and to expect the tribal people to assume quickly the rights and obligations of the Liberians. There is still much vitality and much that is beneficial in the tribal way of life. It provides an orderly set of personal and institutional relationships which are familiar, calculable, and reassuring. To dissolve these too rapidly or too brutally would expose the whole country to the social disorders and mass irrationalities arising from a widespread sense of rootlessness and aimlessness and the lack of a feeling of belonging. Moreover, as a practical matter, Liberia has neither the economic means nor the political and social experience required to provide quickly the necessary new frameworks of order and meaning for large numbers of tribal people.

The aim of the unification policy is to overcome the serious deficiencies of the existing tribal society and to provide its members with the minimum qualifications necessary to participate effectively in the economic and political life of the country. Acceptance of these limited objectives means that, for the time being, the government has had to reconcile itself to continuation of many tenacious tribal customs of which it theoretically disapproves—for example, polygamy, the indigenous animistic religion, the secret societies, debtor servitude, local government by the hierarchy of chiefs, etc. Over the longer term, these and other tribal institutions and customs will inevitably die out as the unification policy produces results and as Liberian economic and political development progresses.

National Government and Politics

Liberia is a republic and has been since its founding. Its written constitution provides for separation of the executive, legislative, and judicial powers; for a system of checks and balances; for fundamental civil rights; and for an orderly process of amendment. There have been no successful political revolutions in Liberia, though as late as 1955 political assassination was seriously attempted.

Though the Liberian constitution is closely patterned on that of the United States, it differs in one important respect: Liberia does not have a federal form of government. The country is divided into five counties and two territories located along the coastal plain, and three provinces embracing the whole of the interior. None of these local units has its own administration; all are arms of the central government in Monrovia, and the local officials are responsible to the president of the Republic.

The president and vice president are elected by popular votes (there is no electoral college) for initial terms of eight years and may now be re-elected for any number of additional terms, each of four years. The legislature is bicameral: two senators from each county are elected for six-year terms; of 35 representatives, elected for four-year terms, 12 represent the provinces and the remainder are elected by the counties and territories on the basis of population. The president is assisted by a cabinet, each member of which heads a major executive department: State, Treasury, Justice, National Defense, Post Office, Interior, Public Instruction (education), Public Works, Agriculture and Commerce, and Public Health. In addition, a number of permanent and special commissions and boards are responsible for administrative

areas not covered by the departments. The government operates on an annual budget which is prepared by the president and revised and approved by the legislature.

Citizenship is restricted to Negroes or descendants of Negroes and may be acquired by birth or naturalization. All citizens, male and female, may vote in national elections if they are at least 21 years of age and own a hut, house, or other property in fee simple on which taxes are paid. Varying residence and property qualifications restrict those eligible for election to public office.

The dominant political party in Liberia today is the True Whig Party, headed by President Tubman. The True Whigs have governed the country since 1870, when they displaced the formerly dominant Republican Party, which is now extinct. However, other political parties usually have contested elections. Recent elections have all been won by the True Whig Party by overwhelming majorities. The poor showing of the opposition parties does not mean that no major issues of principles and personalities exist in Liberian political life. Both within the country as a whole and within the True Whig Party itself, there are groups opposed to the policies and personnel of the Tubman administration.

Considerable opposition exists to two of President Tubman's most important policies: the unification policy under which the tribal people are gradually being integrated into the national life; and the open door policy under which responsible private foreign capital is being encouraged to participate in the economic development of the country. Opposition to the first comes principally from groups among the old Americo-Liberian element—who prefer the old relationship of dominance and subordination. And a few Liberians and tribal people criticize the unification policy because it seems too slow. The opposition to the open door policy comes from groups among both the older Americo-Liberians and the newer Liberians. These are the ultranationalists, suspicious of foreigners, particularly whites and afraid that Liberia will lose the substance, if not the form, of independence should the foreign companies become too powerful in the country. While such fears exist generally in Liberia, they are only strong enough among a relatively small percentage of articulate Liberians to crystallize into political opposition to the open door policy.

Opposition to the Tubman administration on personal grounds is more widespread and more formidable. In a country where politics has traditionally been regarded as one of the few worthwhile occupations, competition for elective or appointive office is keen, and disappointed

office seekers are prone to resentment and hostility. Since both types of offices are at the disposal of the President either as chief executive or as head of the majority party, it is only natural that resentment should be focused on him and his top assistants and advisers. There are always individuals who for one reason or another are out of favor with the administration and are therefore out of office, and who coalesce into the nucleus of an opposition party in election years. This situation also generates a small but dedicated reform movement which condemns the "spoils system" generally and seeks to raise Liberian standards of public service and political morality.

Despite the existence of different opposition groups, there can be no question of the overwhelming popular approval and support enjoyed by President Tubman. In largest part, this is owed to general recognition of his high qualities of statesmanship, his mature understanding of the country's real needs and problems, and his comprehensive and practicable program for fostering Liberian political and economic development. In part, too, it is the result of his personal prestige and political skill—his ability to steer a middle course between extreme viewpoints and factions, and to unite a large majority of the old Americo-Liberians, the newer Liberians, and the tribal people in support of mutually beneficial policies and programs. To some extent also, the administration's power is bolstered by the influence which the government wields through official and unofficial supervision of the press, the radio, and political activities generally.

At this stage of Liberia's political and social evolution, the country is fortunate in possessing a leader of President Tubman's stature and abilities. True, there are aspects of his administration which are regarded abroad and at home as too authoritarian. But even in these respects, the Tubman administration is a decided improvement over all of its predecessors, and its defects are far outweighed by the benefits which the country is deriving from its forward-looking policies and programs. Moreover, the standards of political morality and democratic freedom, which can legitimately be expected in the United States and Western Europe, cannot in all fairness be applied to a country with the bulk of its population still living in a tribal society and its most advanced groups still largely characterized by pre-industrial and quasi-aristocratic attitudes and values.

The Liberian Economy

It is not yet possible to present a comprehensive and detailed picture of the Liberian economy, because much of the

necessary statistical data has never been collected and a large and indeterminate portion of the nation's production and consumption still occur outside the market. However, during the past decade, the Liberian government has made considerable progress in establishing a system of statistical reporting for its market economy. This description of the Liberian economy necessarily is based upon these statistics, and, therefore, relates primarily to the market portion of the country's production and use of economic resources.

Agriculture

Agriculture has been the basis of Liberia's economic life. The overwhelming bulk of the inhabitants is engaged in the production of food or commercial crops, and agricultural commodities are the most valuable portion of the nation's exports. Although rice is the chief crop, owing to primitive methods and the withdrawal from rice cultivation of growing numbers of people, the country has not been producing enough rice to meet the internal demand since World War II. Except also for the meat and dairy products imported by wealthy Liberians and the foreign concessions, the country raises enough other foodstuffs to meet its needs.

Tree products constitute the principal commercial crops. Rubber, coffee, and cocoa are raised for export to Europe or the United States; palm oil, bananas, and kola nuts, primarily for domestic consumption and petty trade with neighboring parts of West Africa—although a start has been made in producing bananas for shipment to Western Europe. In addition, piassava fiber is grown for export.

The most important production of tree crops occurs on the foreign-operated plantations. By far the largest of these are Firestone's rubber plantations. The Liberia Company, originally started by the late Edward R. Stettinius, Jr., has a cocoa and coffee plantation in the interior which still is being planted and is only beginning to harvest commercial quantities of beans. A large and growing banana plantation is being developed in Sinoe by the African Fruit Company, a German firm. The B. F. Goodrich Company has started a rubber plantation northwest of Monrovia which will not be in production until the 1960's. To date, about 1,400 acres have been cleared. Finally, LeTourneau has a dormant plantation on the coast near Harper.

Over the past decade, increasing numbers of Liberians have also begun to produce rubber, and to a lesser extent cocoa and coffee, for export. The palm oil, banana, and kola nuts which enter the domestic market or are exported to neighboring British and French areas are

largely the output of the tribal people. The export of Liberian-raised commercial crops is mainly in the hands of Firestone, the large European trading companies (Dutch, German, and French), and the Lebanese.

So far, no serious problems of land tenure have arisen in Liberia. The country is a long way from experiencing any pressure of population upon the arable land, which is readily available to all who wish to cultivate it. Only citizens may own land, and only Negroes are eligible for citizenship. In consequence, the foreign plantations are held on leases from the Liberian government. Most agricultural credit is extended by Lebanese on the security of the crop. Lebanese profits are undoubtedly high, and there have been complaints of credit shortage, usury, and exploitation of the tribal people.

In recent years, a number of the more enterprising Liberian farmers have been turning to truck gardening and production of chickens and eggs for markets in Monrovia and the larger towns. A promising start has also been made in commercial fishing. A company organized in 1955 by Swiss, German, and Liberian interests operates a deep-sea trawler which is able to exploit the fishing banks off the coast of Sierra Leone. A second company, controlled by Americans and Liberians, employs two smaller Sicilian trawlers which operate in local Liberian waters. As a result of these activities, the retail price of fish in Monrovia dropped from 25¢ a pound to 15¢ during 1955. Traditionally, Monrovia and the coastal towns have been supplied by local Kru and Bassa fishermen and by Fanti migrants from the Gold Coast. However, using indigenous methods, their catch was always small and their costs high, and the introduction of modern fishing equipment is threatening to force the tribal and Fanti fishermen out of a market. Commercial fishing has great possibilities for future expansion, as current operations cannot satisfy the demand for fish in Monrovia, much less in the country as a whole.

Mining

Next to agriculture, mining makes the largest contribution to Liberia's gross national product. The overwhelming proportion of the mining output comes from the rich Bomi Hills iron ore mines. This concession is operated by the Liberia Mining Company, whose largest stockholder is the Republic Steel Corporation. It is estimated that the deposit contains about 50 million tons of ore of 68 to 70 percent pure iron, and more than 100 million tons of ore of 35 to 50 percent iron. At present, the annual rate of production is 1.75 million tons of high grade ore.

Aside from iron ore, the only active mining operations now occurring in the country are the production of gold and diamonds. The reported value of this output is relatively small. However, actual production is probably larger than that reported, since it is believed that unknown amounts of gold and diamonds are smuggled out of the country in order to evade the government's gold purchase monopoly and the export tax. Although operations will not begin for some time, the Pittsburgh Plate Glass Company has negotiated a concession to mine titanium.

Industry and Manufacturing

Semiprocessing of agricultural products and crude iron ore accounts mainly for Liberia's industrial activity. Firestone operates the largest and most modern latex concentrating and coagulating plant in the world on its Harbel plantation. The Liberia Company is presently installing the plant and equipment for fermenting, cleaning, and drying its forthcoming cocoa and coffee crops. The Liberia Mining Company operates mammoth equipment for crushing, sorting and loading ore, and is now building a concentration plant to utilize profitably the lower grade ores, which have hitherto been stockpiling. In addition, both Firestone and the Liberia Mining Company operate sawmills. About half of the latter's production is sold commercially in Monrovia; the rest of the sawmills' output is reserved for the companies' own use. Several other small sawmills operate elsewhere in the country to meet local construction and mission needs.

Manufacturing industry is still very limited. A number of small brick and tile factories exist, including one on the Firestone plantation at Harbel. Several Spanish and Italian firms operate small factories making bricks and tiles, soap, cotton textiles, and a cold storage plant in Monrovia. One of them is now building a brewery. The inevitable Coca-Cola and other soft drinks are bottled locally. Wooden furniture; doors, window frames, and shutters; rush mats and screens; and other light construction materials and home furnishings are made in a number of small workshops in Monrovia and the larger towns. These activities have been stimulated by the public works construction and the private housing boom which have been occurring in recent years in Monrovia and, to a lesser extent, elsewhere in the country.

Public Utilities and Transportation

Public utilities are only beginning to be provided in Liberia. Monrovia has a public water supply and sewerage system and intra-city

telephone service. Electric power is supplied by a diesel station attached to the Free Port. However, the city has grown so fast that both water and electricity are already in short supply and these facilities will soon have to be expanded. Firestone and the Liberia Mining Company have their own power, telephone, and water installations. Elsewhere, there are a number of small diesel electric generators, principally at the other foreign concessions, the mission stations, and hospitals.

Transportation is a serious limiting factor in the economic growth of the country. The only hard surfaced roads are in Monrovia and its immediate environs and on the Firestone plantations. The main trunk road from Monrovia to Sanniquellie and its two branch roads (one from Gbarnga north to the St. Paul River and the other from Ganta south to Tappita) are unpaved but are continuously being widened and improved and better bridges and culverts are being built. In addition, there are relatively short stretches of improved roads which can be used even in the rainy season. Aside from these, however, there are only footpaths and a few motor tracks which are passable only in dry weather. In total, there are about 850 miles of improved and unimproved roads in Liberia. The only railroad in the country is a single-track, ore-carrying line, about 45 miles long, which was built and is operated by the Liberia Mining Company.

This lack of adequate inland transportation is the principal problem in marketing agricultural products, since—because rivers are navigable for only a few miles—most must be hauled by truck. Transport along the existing roads has so far been adequate to serve the needs of the contiguous farms now in production. But on the many farms not located on or near a road, produce must still be moved by head-loading, traditional throughout West Africa. Moreover, rapidly growing numbers of rubber, cocoa, and coffee farms along the new roads and those under construction will be coming into production in the next few years and will severely strain the existing motor transport capacity.

Modern air transportation supplements the deficient highway system as far as passenger traffic and high priority freight are concerned. The Liberian National Airways, owned by the Liberian government and operated by American flight personnel, flies two DC-3's on regularly scheduled routes linking Monrovia with the principal coastal and inland towns. Air taxi service is available on hire to and from the dozen or so small air strips throughout the country. Several of the foreign companies operate their own air service between Monrovia and their inland concessions. Both Pan American World Airways and Air

France operate scheduled international flights which stop regularly at Roberts Field.

Liberia is fortunate in now possessing one of the largest and most modern ports for ocean-going vessels on the West African coast. The Free Port of Monrovia has docking space for four medium-sized freighters and several smaller vessels at the same time. In the Free Port area, there is storage space for two million gallons of petroleum products; numerous warehouses; and the railroad terminal, ore storage piles, and loading equipment of the Liberia Mining Company. Regularly scheduled sailings from Monrovia to the other West African ports and to the United States are made by the Delta and the Farrell Lines, and to Europe by Dutch and German shipping companies. The Liberia Mining Company operates its own ore carriers, and Firestone uses four small tankers which carry concentrated liquid latex and baled coagulated rubber from its two plantations to the Free Port.

No other harbors for ocean-going vessels exist on the Liberian coast. Freight and passengers are moved from Monrovia to the other coastal towns in lighters and small craft which can cross the shallow sandbars that block the mouths of all the rivers and bays. However, a Sinoe River harbor is being constructed in cooperation with the African Fruit Company to accommodate its ocean-going banana boats, and there are plans for constructing another harbor at Harper near Cape Palmas.

Balance of Payments and the National Budget

In terms of volume, Liberia's principal export is iron ore; in terms of value, its main export is rubber. Next in order of importance, by value, are palm kernels and oil, gold and diamonds, cocoa, piassava fiber, coffee, kola nuts, and tropical fruits. Total exports in 1955 amounted to nearly $43 million.

The United States took nearly 87 percent of Liberia's exports, or a total of more than $37 million in 1955. Nearly all of Liberia's rubber, about half of its iron ore, and about two-thirds of its cocoa account for virtually all of these Liberian exports to the United States. Liberia's next largest export market was the Netherlands, amounting to nearly $2.3 million; West Germany came third, with over $1.5 million, and then came the United Kingdom, Belgium, Canada, Switzerland, and Lebanon, which all together took an additional $1.6 of Liberian exports.

In 1955, Liberian imports totalled nearly $26 million, of which more than $18 million, or almost 71 percent, were manufactured goods; $4.3 were foodstuffs; $1.4 million were beverages and tobacco; and $1.4

was fuel, principally petroleum products. The United States supplied $16 million, or 62 percent, of Liberia's imports; West Germany, nearly $3 million, or almost 12 percent; and the United Kingdom, over $2.8 million, or 11 percent. Next in order of importance were imports from the Netherlands, Japan, and Belgium.

Since the beginning of World War II, Liberia's merchandise exports have exceeded its merchandise imports by an annual average of almost $10 million. In 1955, the excess of merchandise exports over imports was $16.8 million. The other substantial surplus items in the current account balance of payments have been the donations received by Liberian individuals and institutions and by the Liberian government from private, governmental, and international sources abroad, mainly American, and vessel registration fees and tonnage taxes. Recently, the net income from these sources has been more than $3 million a year. These net earnings from merchandise trade, donations, and use of the Liberian flag by foreign ships have financed most of the Liberian deficit with respect to the other items in the current account balance of payments—freight and insurance charges, foreign travel, payment of earnings on private foreign investment in Liberia, interest on foreign loans, the Liberian government's expenses abroad, etc. The remaining deficit in the current account balance of payments has been considerably more than offset since World War II by the influx of private long-term foreign capital and by the payments received under successive Export-Import Bank loans. For example, new private capital inflow in 1954 has been estimated at more than $9.8 million, which was alone more than sufficient to finance the net current account deficit of $4.4 million in that year.

Since 1943, when the pound sterling was superseded, Liberia's national currency has been the U.S. dollar, the country having only a fractional coinage of its own. There are no restrictions on the importation of goods which must be paid for in dollars. Nor, owing to the easing of the world dollar shortage in recent years, has Liberia had much difficulty in marketing the less than 15 percent of its exports which go to nondollar countries.

Until 1950, the Liberian government's major source of income was its tariff on imports and its export taxes. In 1951, a graduated income tax was enacted, retroactive for 1950, with a maximum rate of 25 percent. Largely in consequence of this new source of revenue, and of the growing income received from iron ore exports, the government was able to triple its expenditures from $4 million in 1949 to over $15 million in 1955. Other revenues of lesser importance include customs duties, a tax on luxuries, and the traditional hut tax. Liberia has no internal

debt and the national budget has been in reasonable balance since the the late 1930's.

In 1955, nearly half of the national budget was allotted to expenditures for education, health, public works, and economic development. Slightly more than six percent was earmarked for national defense. The remainder of the budget covered the ordinary expenses of national and local government and of diplomatic representation abroad. However, the Liberian government has no post-auditing process and there is no way of ascertaining the purposes for which funds were actually spent.

In the absence of its own national currency and central bank, the Liberian government relies mainly upon fiscal rather than monetary policy to maintain the stability of internal economic conditions and to stimulate economic growth. There is no general banking law in the country, and the credit facilities are rudimentary except for those provided by the small private banking system. The oldest, largest, and most active bank is the Bank of Monrovia, formerly owned by Firestone but acquired in September 1955 by the First National City Bank of New York. The official depository of the Liberian government, it does a general banking business. A new Bank of Liberia has recently been started by Swiss, German, and Liberian investors but its activities are still very limited. In addition, the International Trust Company of Liberia, owned by American interests, handles the growing vessel and corporation registry business of the country. Other banking ventures are being organized by Italian and Spanish investors.

The stability of economic conditions in Liberia is, however, more dependent upon the influence of external factors than upon such internal determinants as the fiscal policies of the Liberian government and the operations of the private banking system. A substantial decline in the quantities or prices of rubber and iron ore exports would severely strain both the balance of payments and the national budget and would result in drastic curtailment of the development program and a drop in employment and real income. As the principal market for both commodities is the United States, maintenance of a high level of demand in the American economy is essential for continued prosperity and economic growth in Liberia.

Economic conditions have been generally favorable in Liberia since the early 1940's. With neither a budgetary deficit nor a balance of payments deficit and with no restrictions on imports, the country has been able to maintain reasonable monetary stability despite the worldwide inflation and the demands of its own development program. True, prices

have risen substantially since the prewar period, but so too have productivity, production, and real income. Though there are as yet no national accounts statistics for Liberia, it is apparent from the growth of Liberian exports and the absence of serious economic complaints that gross national product and real personal income must have increased appreciably over the past decade despite the rise in prices.

The growth of commercial agriculture, mining, and the service trades since the late 1930's has resulted in a manyfold increase in total wage payments and in a rise in the minimum daily wage for unskilled labor, which is now about 30¢. At the same time, the subsistence economy of the tribal people has not been seriously impaired by the spread of the wage economy. In the main, the latter still supplements the former and thereby serves to raise the total real income available for personal consumption. This situation would also cushion the shock of any substantial decline in export earnings. Such unemployment as might be generated among the tribal people at the plantations and mines would not leave them destitute since they could always be reabsorbed into the still functioning subsistence economy. The principal hardship of a depression would fall upon those Liberians who have broken all ties with the tribal areas.

Labor Conditions

There can be no question that labor conditions have very substantially improved since the early 1930's when contract labor, debtor servitude, and various forms of forced labor prevailed in the country. Except for survivals of these practices among the tribal people, labor's freedom and minimum standards are protected by basic legislation adopted in 1943. Though workers engaged in producing or processing agricultural and forestry products are exempted from its provisions, this law nevertheless influences their wages, hours of work, sickness benefits, compensation for permanent injuries, dismissal rights, etc. The workers' right to strike is also recognized conditional upon exhausting the arbitration machinery of the Labor Court established under the act.

Small-scale strikes among skilled workers have occasionally occurred in recent years, principally on some of the foreign concessions. However, Liberia cannot yet be said to have a genuine trade union movement. A Liberian Congress of Labor, organized a few years ago with the encouragement of the government, is said to have several hundred members among skilled workers in Monrovia. Its principal activity has been at election time, when it supported the True Whig

candidates. In general, the workers of the country—particularly those from the tribal areas—are neither interested in trade unions nor do they possess the skill and experience needed for organizing them. A significant development of trade unions in Liberia must await the growth of a true industrial or agricultural wage-earning class. It will be some years yet before this stage is reached. Meantime, such sporadic interest in trade unionism as occurs in Liberia is mainly among workers from economically more advanced parts of West Africa and among certain Liberian intellectuals and officials, who would like to have a trade union as a sign of the country's modernity and progress, regardless of whether the social basis exists for sustaining it.

Another factor which tends to militate against the development of a genuine trade union movement is the comparative tightness of labor. Many of the foreign enterprises and some of the young industries and service trades in the larger towns report a chronic shortage of workers. The exceptions are operations like the Liberia Company, whose cocoa and coffee plantation is in one of the most heavily populated regions of the country. In contrast, the African Fruit Company has been having great difficulty in meeting even its minimum need for workers on its banana plantation which is remote from the main population centers. Dissatisfied workers can readily seek alternative employment or can return to the tribal areas. This situation also tends toward fairly uniform and gradually improving wage and working conditions throughout the country as the foreign concessions and the Liberian employers compete among themselves for labor.

Long-Term Economic Development

On the assumption that the labor supply will be adequate, the Liberian government has prepared and is operating under a nine-year program of economic development. This is a comprehensive plan of public capital investment, totalling over $73 million, which covers roads, harbors, airfields, public buildings, schools, hospital and health services, municipal works, hydroelectric plants, radio and telephone communications, agricultural experimentation and farm credit, and processing mills for agricultural products. The current program, an extension of an earlier five-year plan, will guide public investment until 1960.

The three Export-Import Bank loans are financing more than 25 percent of the total program. The remainder is being financed through the regular budget of the Liberian government, approximately 20 percent of which is earmarked each year for these purposes. If Liberia's

export earnings continue at the levels of recent years, it would be reasonable to expect that funds adequate to service all or most of the development program could continue to be made available from the ordinary national budget.

This public capital investment program will not only directly improve the living standards of the Liberian people but it will also help to stimulate additional private foreign investment by providing more of the basic utilities and services required for agricultural improvement and for the growth of manufacturing industry. The Liberian economy is now well into the first phase of the transition from a largely stagnant subsistence economy into a more modern form characterized by rising and more diversified productivity and living standards. How rapidly and efficiently the Liberian economy progresses seems likely to depend primarily upon four factors—substantial fulfillment of the public investment program, a continued favorable climate for private foreign investment, an adequate supply of labor, and the development of entrepreneurial attitudes and interests on the part of the Liberians themselves.

II.

Why and How Firestone Came to Liberia

THE FIRESTONE TIRE AND RUBBER COMPANY bears in one respect a striking resemblance to the country in whose transformation it has played so important a part. Liberia has always been characterized by a pronounced independence of spirit—a spirit reflected not only in its devotion to its political liberty but also in its willingness to take risks and to withstand outside pressures in the pursuit of goals it believes worthwhile. So, too, has Firestone. Like a number of other successful American corporations, Firestone owes its existence and prosperity largely to the imagination, energy, and judgment of one family —of its founder Harvey S. Firestone and his sons. For the same reason, the Company has always been a vigorous, independent pioneer in the development of new products and manufacturing and marketing techniques. And it refused to join in, or be intimidated by, any of the patent monopolies and restrictive agreements that characterized the rubber industry during the first three decades of the century.

Highlights of Company History

THE COMPANY WAS FOUNDED in 1900 by a 32-year old Ohioan, Harvey S. Firestone, who had recently returned to his native state after achieving a moderate success in the rubber business in Chicago. Located in Akron, the rubber capital of the nation, the Company began its operations by marketing bicycle tires, solid rubber tires for carriages and wagons, and rubber horseshoe pads, which were produced for it by one of the local manufacturing concerns. In 1902, the Company acquired its own factory and within two years became the largest producer of solid rubber tires in the world. From its inception, Firestone was interested in the newly developing automobile market, and began to make pneumatic tires in 1905. In that year, it received its first tire contract from the Ford Motor Company, a mutually advantageous relationship which has persisted to the present day.

Henry Ford and Harvey Firestone became close friends and, as businessmen, they faced similar problems. Both were early advocates of mass production for mass consumption; they believed in supplying as

large a market as possible with the most efficient product sold at the cheapest price. In pursuit of this objective, both men improved and standardized products based on earlier or related models which were protected by restrictive licensing and marketing agreements of various kinds. In consequence, they were often involved in law suits with their competitors. Harvey Firestone was never intimidated by the threat of litigation, and always fought these law suits with determination and persistence, generally to a successful conclusion.

One consequence of restrictive conditions in the rubber industry was the incentive they provided to the Firestone Company to manufacture its own components and related products. Thus, in 1909, the Company began to make its own steel rims for the new pneumatic tires. This activity eventually expanded into a subsidiary steel products business, separately incorporated as the Firestone Steel Products Company. In later years, the Company founded or acquired subsidiaries for processing reclaimed rubber and for manufacturing cotton, rayon, and nylon tire cords and fabrics; high quality rubber goods; automobile accessories; consumer durable goods and household supplies; synthetic rubber, chemicals, and plastics; industrial supplies; and many other finished products using rubber or components needed in rubber manufacturing.

During the first three decades of the century, Firestone grew not only through diversification but also through the enormous expansion of the market for its primary product, rubber tires. Entry into World War I brought large-scale government contracts to Firestone, both for vehicle tires and for the many rubber, steel, and textile products which its subsidiary corporations could make. During and after World War I, Firestone was one of the leaders in stimulating the use of trucks for freight movements over short and medium distances. The Company soon achieved—and has never lost—a commanding position in the manufacture of truck and other heavy duty tires, such as tires for tractors and airplanes. The Company shared in the boom of the 1920's, pioneering in the development and introduction of cord and low pressure balloon tires and expanding the variety and output of its products in other fields. Aggressive sales and pricing policies enabled it to survive the worst years of the 1929-33 depression without major damage and, by 1935, production and profits were again increasing. Under the stimulus of World War II and the postwar prosperity, this growth has continued with only minor interruptions.

For the first time in 1953, and again in 1955, net sales exceeded $1 billion a year, while net income after taxes grew to more than

$50 million in the latter year. In 1955, total wage, salary, and employee benefit payments were nearly $300 million and the Company paid taxes of over $128 million. The eight million odd shares of common stock outstanding in that year earned $6.81 a share and received a dividend of $2.50, the remaining profits being reinvested in the business. Despite capital expansion, the Company's long-term indebtedness has been reduced in recent years, amounting to $110 million in 1955, less than one-sixth of total assets.

Today, the Firestone Tire and Rubber Company is second only (in terms of sales and assets) to the Goodyear Tire and Rubber Company in the rubber industry. A July 1956 supplement to *Fortune* magazine ranked Firestone 24th among all American industrial corporations in terms of sales and 33rd in terms of assets in 1955. The Company, or its wholly owned subsidiaries, has factories throughout the United States and in Canada, England, Switzerland, Spain, South Africa, New Zealand, India, Argentina, Brazil, and Venezuela. It has natural rubber processing plants in Singapore and Liberia. In addition, it operates a number of synthetic rubber factories.

Firestone's General Attitudes and Policies

Far more than most giant corporations, Firestone has retained a "family" quality. Harvey S. Firestone apparently considered that his sons, practically from birth, were part of the management, and that the management was part of the family. He exposed them to every aspect of corporate operations, and one can only say that this somewhat unusual type of "executive development" has justified his approach and his confidence. The independence and business aggressiveness which have characterized Firestone's operations in large part grew out of the characters of its founder and his sons. So, too, have its general attitudes as expressed in other aspects of corporate performance.

From the beginning, Firestone policies reflected a deep interest in the welfare of the Company's employees, of the dealers who marketed many of its products, of the city of Akron in which the Company's headquarters and chief plants were located, and of the United States and the American people generally. This benevolent interest was mainly personal—an aspect of Harvey S. Firestone's individualistic personality and awareness of the importance of human relations and values.

This general attitude may be illustrated by a brief outline of Firestone's relationship with its workers—a pattern that was also to appear

later in its Liberian operations. From the beginning, it was Harvey S. Firestone's natural impulse to treat his employees as human beings and not as mere instruments of production. At an early stage, the Company instituted a free life insurance plan for employees, established a savings bank for them near the main factory, arranged for an employees' stock purchase plan, built a clubhouse, financed a 1,000-acre housing and community development project for employees' families, and undertook other employee benefit activities long before these became general practices among American corporations.

Firestone's wage scales have always been among the highest in the industry and have on occasion led new advances. The Company was one of the first in Akron to adopt the eight-hour day in 1916. From the beginning, the Company has had regular grievance machinery through which workers could discuss problems of pay rates, hours, and working conditions. However, Firestone was not among the small group of American business firms that pioneered in recognizing trade unionism and in developing mutually beneficial relationships with organized labor. Like many American companies, Firestone neither encouraged nor fought against the growth of the organized trade union movement. In the mid-1930's, the Company became reconciled to the unionization of the rubber industry, and has enjoyed comparative industrial peace under collective bargaining ever since.

Firestone has had only two significant strikes in its history of almost 60 years. The first was in 1913 after the initial introduction of automatic tire-making machinery and accompanying revised pay scales in the rubber industry. Led by the Industrial Workers of the World (I.W.W.), strikes occurred at Firestone, Goodrich, and Goodyear and at many of the smaller rubber companies in Akron. At the peak of the industry-wide strike, 15,000 of Akron's 22,500 rubber workers were out. Within two months the strike was over, the companies agreeing to take back all workers without discrimination and to make minor adjustments in the new pay scales. However, the strike did not result in the unionization of the industry and the I.W.W. locals soon disappeared.

The second strike was part of the general movement for union recognition and collective bargaining in the mid-1930's. In 1936, the CIO United Rubber Workers began a strong drive to win union recognition and exclusive collective bargaining rights in the rubber industry. After an inconclusive five-week strike at Goodyear, the Rubber Workers called a strike at Firestone early in 1937. From the start, Firestone indicated its willingness to recognize the union but refused to recognize it as sole bargaining agent. After eight weeks, the strike was set-

tled on the Company's terms, but with the additional Company pledge that it would not finance or otherwise aid any other labor group. And Firestone dissolved a short-lived company union, the Employees' Conference Plan. Next year, the Rubber Workers won exclusive bargaining rights at Firestone in an election conducted by the National Labor Relations Board.

Firestone was the first major rubber company willing to recognize the Rubber Workers, though not the first to grant the union sole bargaining rights. The Company has operated under a contract with this union since 1937 which at some renegotiations has set a new pattern for the industry as a whole. In 1948, Firestone and the Rubber Workers signed a corporation-wide agreement covering all plants operated in the United States by the Company, and granting a wage increase that served as the standard for the union's subsequent contracts with the other rubber producers. This agreement was described by the U.S. Department of Labor as a "major step forward for industrial stability in the industry." Once it was clear that unionization had come to stay, the Company has dealt responsibly and constructively with the Rubber Workers to the mutual advantage of both.

At the executive level, the Company's policies have also borne the imprint of Harvey S. Firestone's distinctive personality. For top management positions, he preferred men like himself—men who, though they may have had technical or specialized training and experience, also possessed the flexibility, resourcefulness, and self-confidence necessary to operate in many different and unrelated fields. Thus, when Harvey S. Firestone relinquished his post as president of the Company, to become chairman of the board in 1932, his successor was John W. Thomas, an industrial chemist who had joined the Company in 1908 as Firestone's first testing and research technician. Another example is Byron H. Larabee, for many years a lawyer in private practice in Akron, who has been operating head in Akron of the Firestone Plantations Company for the past two decades. This predilection for choosing men who were capable of being both "generalists" and specialists—jacks of all trades—proved to be one of the decisive elements in the successful establishment of the Firestone operation in Liberia.

Why Firestone Decided to Grow Rubber

Just as Firestone refused to be bound by domestic monopolies and restrictive agreements, so its decision to become a producer of natural rubber resulted largely from an antipathy to

a foreign restrictive arrangement—the notorious Stevenson Plan of 1922-28. This was an effort on the part of the British to maintain the price of natural rubber at a level sufficient to ensure the profitability of their rubber plantations in Malaya and Ceylon.

Natural rubber is a complex hydrocarbon molecule which forms the solid component of latex, a milky white fluid secreted by a large number of related trees, shrubs, vines, and plants growing in many parts of the world. Of all the sources of latex, *Hevea Brasiliensis,* a tree which grows wild in the Amazon Basin, has been preferred since rubber became commercially important early in the 19th century. Seedlings from *Hevea* seeds were planted on a number of rubber estates established in Southeastern Asia in the late 1890's and small quantities of plantation rubber appeared on the market in competition with wild rubber. Demand for rubber, which had been growing steadily despite uncertain production and speculative prices, skyrocketed after the turn of the century with the rise of the automobile, the truck, and the airplane.

Unilateral Efforts to Control the Rubber Market

Two abortive efforts to control the rubber market preceded Firestone's decision to produce natural rubber. Brazil tried, first in 1905-06 and later in 1909-10, to corner the market. It succeeded in driving prices to $1.50 a pound on the first try, and to $3.00 a pound on the second, but in doing so it lost a large part of its market. High prices and the growing demand for rubber had so stimulated the rapid development of rubber plantations in Malaya, Ceylon, the Netherlands East Indies, and other Southeast Asian areas that, by 1914, plantation rubber had captured over 60 percent of the market. Prices continued high and more acres were planted to rubber until the depression of 1920-21, when demand rapidly declined and prices dropped precipitously to a disastrous low of 11.5¢ a pound.

It was the turn of the British rubber producers, who then supplied about 70 percent of world production, to attempt control of production and prices. They claimed that they could not operate profitably when rubber sold below 30¢ a pound, and set out to assure this minimum price.

In October 1921, a British Parliamentary Committee of Inquiry, headed by Sir James Stevenson, was appointed to investigate the rubber situation and to propose appropriate remedies. At first the Committee invited the Dutch, who had increasing rubber interests in Southeast Asia, to cooperate in a restrictive arrangement to stabilize prices,

but the Dutch refused. The Committee then proposed a unilateral scheme to be enforced by the colonial governments of Malaya and Ceylon. This was endorsed by Winston Churchill, then the Secretary of State for the Colonies—never his brilliant best when dealing with financial matters. Churchill was motivated apparently not only by the need to help the rubber growers but also—since the United States consumed over 70 percent of the world's rubber supply—by a desire to improve the dollar earnings of the British Treasury. The Stevenson Plan was approved by the Cabinet in October 1922 and was immediately put into effect.

The Stevenson Plan established a complex sliding scale of production and export controls, which worked automatically on the basis of specific prices—whether up or down—in each preceding quarter. A "standard production" was calculated for each rubber estate and a prohibitive export tax levied on shipments in excess of the permitted export quota. The pre-established formula could not be altered by administering authorities, but only by the Colonial Office in London aided by an Advisory Committee, of which Stevenson became chairman.

By 1925, the demand for rubber was again booming; but the inflexibility of the Stevenson Plan militated against any corresponding expansion of rubber supply, and prices shot up to over $1.20 a pound. Protests mounted from rubber consumers all over the world, especially in the United States, where the government added its official voice. In response to outside pressure, the British reluctantly agreed to make changes in the Plan at the end of 1926, but by then the damage was done and the Stevenson Plan was past saving.

Dutch rubber production in Java, Sumatra, and Borneo had expanded rapidly after 1922, and production also increased in Siam and French Indo-China. The Dutch plantation companies generally were operated more efficiently and at lower cost than the British. They not only planted additional acreage, but also developed higher and higher yielding trees through selective breeding and bud-grafting experiments, and undertook other research and experimentation. When the Stevenson Plan went into effect, the Dutch produced only 16 percent of the world's rubber supply; but in 1927, they were supplying 38 percent of the world market while the British share had dropped to only 52 percent. In these circumstances, unilateral control was ineffective, and the British terminated the Plan at the end of 1928.

Firestone's Quest for New Sources

Initially, the reaction in the United States to the Stevenson Plan, surprisingly, was mixed. A majority of the leaders of the Rubber Association of America (RAA)—the trade association of rubber manufacturers—who had long been plagued by widely fluctuating prices, thought that the British Plan would stabilize prices and would protect the interests of rubber consumers as well as rubber producers.

Only Harvey S. Firestone, among the leaders of the American rubber industry, was from the beginning an active and uncompromising opponent of the Stevenson Plan. Firestone believed that, however undesirable widely fluctuating rubber prices might be, the manufacturers and the consuming public generally would be better served by a low crude rubber price which would stimulate increased use of rubber. He had little faith that a restrictive arrangement managed by the leading rubber producing country would fix rubber prices at a level equitable from the consumers' point of view. Moreover, he was opposed on principle to restrictive arrangements of any kind, and he feared that the Stevenson Plan would injure the national security and interest of the United States owing to its complete dependence on imported rubber.

Harvey S. Firestone sought to enlist the rubber companies, the U. S. government, and the consuming public in an attack on the Stevenson Plan. However, in the winter of 1922-23, he pleaded in vain with the RAA leaders. Far from agreeing actively to oppose the Stevenson Plan, they wrote instead to members of the Association urging them not to attend a meeting in Washington which Firestone had arranged with government officials. Firestone subsequently resigned his Company's membership in the Association. It was not until the great upsurge of rubber prices in 1925 that the American rubber industry was united in active opposition to the Stevenson Plan.

Meantime, Harvey S. Firestone was more successful in Washington. In February 1923, while the Washington meeting was still in session, the Congress passed a joint resolution appropriating $500,000 for a survey of the possible areas in which Americans might be able to grow rubber economically. Also, Herbert Hoover—then Secretary of Commerce—began to investigate the possibility and legality of pooled buying of natural rubber by American manufacturers. When rubber prices began to climb toward their 1925 peak, Hoover and Firestone organized a nationwide campaign to collect and use reclaimed rubber. New facilities were built to process this material and reclaimed rubber

was permanently established as an important source of supply for the American industry. In late 1925, Hoover urged the American people to conserve their use of rubber articles in the hope that the prospect of declining American consumption would induce rubber growers to sell additional supplies immediately while the market was still firm. This tactic was influential in bringing about a price decline during 1926. In addition, the succession of official protests to the British had helped to produce the minor 1926 modifications in the Stevenson Plan.

These governmental efforts were paralleled by private activities which were ultimately to bear permanently successful fruit. Early in 1923, even before the government study authorized by the Congress got under way, Firestone organized and sent out under Company auspices several survey parties to investigate the feasibility of growing rubber in the Philippines, the Netherlands East Indies, Sarawak, Malaya, Ceylon, Mexico, Central America, and Africa. His son, Harvey S. Firestone, Jr., entrusted with responsibility for this work, headed several of the survey and negotiating parties during the next few years. It is well worth noting that these unusual problems carried great responsibilities, responsibilities which were new to Firestone; in fact, new to Americans. It has taken time, patience, and originality to solve them. Harvey S. Firestone, Jr. accepted these responsibilities and his deep interest in the Plantations Company has continued unabated.

In addition to these activities, Firestone enlisted his two good friends, Thomas A. Edison and Henry Ford, in the effort to develop American-grown rubber. After testing 2,300 different plants on his estate at Fort Myers, Florida, Edison decided that a variety of goldenrod would be the best producer of latex that could be grown within the United States. But the cost of production was several times higher than that of *Hevea* rubber, and Edison's experiment ended with his death in 1931. In 1927, Henry Ford established a rubber plantation in Brazil. However, labor shortages and the ravages of the South American rubber blight presented major difficulties and the properties were finally sold to the Brazilian government in 1943.

Only Harvey Firestone's efforts were eventually successful. His preliminary survey parties resulted in the selection of four areas for more careful exploration and possible development—Mexico, Sarawak, the Philippines, and Liberia. A rubber estate in Mexico was leased by Firestone in 1925, but was abandoned after one year owing to unsettled political conditions and an inadequate labor force. In the spring of 1926, a concession to plant 500,000 acres of rubber trees in Sarawak

was offered Firestone, but withdrawn under pressure from the British government. A more ambitious plan for large-scale rubber planting in the Philippines fell through when a bill to change legal obstacles severely limiting land ownership by foreign companies never emerged from a succession of hearings in the Philippine Legislature. Thus, only the Liberian possibility materialized.

As early as December 1923, a Firestone expert—Donald A. Ross, a Scotsman with years of rubber-growing experience in Southeast Asia—visited Liberia. His preliminary report on climate, soil, rainfall, and labor supply was encouraging. In April 1924, he returned to Liberia with Harvey S. Firestone's representative, William D. Hines. A two-fold plan was soon under negotiation for the development of rubber production in Liberia.

The first and easiest phase of the plan was the rental by the Firestone Company on a 99-year lease of an abandoned 2,000-acre rubber plantation at Mt. Barclay, about 20 miles east of Monrovia. The lease on this estate, originally planted in 1910 by a British company, had been dropped during the 1920-21 depression. A new lease with Firestone was quickly signed in June 1924, and tapping operations began at Mt. Barclay after the jungle growth had been cleared and the estate rehabilitated. The Mt. Barclay plantation was a useful pilot-plant in which to learn about the possibilities and problems of large-scale rubber production in Liberia. It also provided space for starting a large nursery in which millions of seedlings could immediately be grown for eventual use in the far more ambitious second phase of Firestone's plan.

This involved a concession from the Liberian government under which the Company would have the right to rent up to one million acres for 99 years. Negotiations with the Liberian government over this major undertaking were supervised by Harvey Firestone, Jr., who visited the country for the final negotiations. A tentative agreement on the basic concession was ready by January 1925, but its ratification by the Liberian Legislature was delayed until November 1926 owing to the difficult financial situation confronting Liberia at the time and the need to negotiate supplementary agreements with the Firestone Company on other matters.

Why Liberia Decided to Admit Firestone

If, during the 1920's, the situation of rubber growers and consumers was difficult and perplexing, that of Liberia

was even more so. The immediate symptom of its troubles was a deepening financial crisis which had been maturing for several decades.

After a disheartening experience with its first foreign loan, arranged with a group of London bankers in 1871, the Liberian government managed to avoid having to borrow abroad until 1906. This loan also was obtained in London, but difficulties soon developed and the British government intervened, sending a gun-boat to Monrovia to back up its demand for adoption of extensive reform measures by the Liberian government. It was at this point that Liberia's request for U. S. government help resulted in President Taft's appointment of the 1909 Commission. The Commission not only recommended that the United States guarantee Liberian independence and arbitrate future disputes with other countries, but, among other measures, recommended an American loan, and American supervision of Liberia's customs receipts, which would serve as security for the loan.

The U. S. government met with determined protests from Europe when it endeavored to arrange with American bankers for an exclusively American loan to Liberia. Accordingly, in late 1911, a loan of $1.7 million was negotiated, in which American, British, French, and German bankers all participated. Part of the proceeds was used to pay the principal and interest arrears of the 1906 loan and other outstanding obligations. A new customs receivership was established, and the chief official, nominated by the President of the United States, also served as financial adviser to the Liberian government. Three subordinate receivers, designated by the governments of Britain, France, and Germany, remained in Liberia until the outbreak of World War I when they were withdrawn, leaving the customs receivership exclusively in American hands.

World War I brought new difficulties to Liberia. The disruption of foreign trade caused customs revenues to fall so drastically that the Liberian government could not meet its ordinary domestic expenses, much less continue service on the 1911 loan. Local rebellions among some of the native tribes in 1915 necessitated a new appeal for American help, to which the U. S. government responded by sending arms and ammunition to Monrovia. For several years thereafter, the U. S. government endeavored to induce the Liberians to institute sweeping domestic reforms as a condition of receiving additional American financial assistance. In 1918, the U. S. Treasury earmarked $5 million for Liberia under the authority of the Liberty Loan Act, withdrawals to be contingent upon the adoption of a major reform and development program by the Liberian government. This was accepted by the

Liberian Legislature in 1919, but difficulties with Britain and France over changing the 1911 loan contract and customs receivership prevented immediate implementation of the agreement.

Both European powers were reluctant to see exclusive arrangements made between the United States and Liberia. Instead, they proposed international assistance and supervision and suggested that solution of Liberia's problems be placed on the agenda of the World War I Peace Conference. The U. S. government vigorously and successfully opposed this latter suggestion. It also induced the British to withdraw their request for participation in the Liberian assistance program and to content themselves with a pledge of equality of treatment for British interests in Liberia. Greater difficulties were encountered with the French, but ultimately these, too, were overcome.

By this time, however, opposition had arisen in Liberia to American supervision of the far-reaching internal reforms required under the proposed American loan agreement. Unfortunately, before these fears and objections were mitigated, the U. S. Congress declared that a state of war no longer existed with Germany, and the President's authority to use Liberty Loan funds automatically expired. This meant that the loan agreement with Liberia would not be valid without a two-thirds vote of approval in the Senate. Considering the strongly isolationist sentiment of the Congress during the early 1920's, it was not surprising that the loan agreement failed to receive the necessary senatorial support. In December 1922, Secretary of State Charles Evans Hughes could only give the Liberians the empty assurance that the Senate's defeat of the loan agreement "is not indicative of any change in the traditionally friendly attitude of [the United States] toward the Liberian Government."

Somewhat discouraged by the Senate's action, Liberia's resourceful President King decided that direct investment in Liberia by a large American corporation might produce the support and assistance so desperately needed. This decision was reached for political rather than economic reasons. The Liberians now despaired of obtaining the necessary financial assistance from the U. S. government. They were most reluctant to turn to the governments or to private bankers in Britain and France, because of the unhappy experience with the previous European loans. Rightly or wrongly, the Liberian government was also convinced that new British or French loans would only provide opportunities for renewed intervention by the European imperial powers in domestic Liberian affairs, which would ultimately lead to loss of Liberian independence.

To President King, the arrival in Liberia of Firestone's first survey party, exactly 12 months after the Senate's defeat of the American loan agreement, seemed to be an unexpected opportunity to carry out his idea of inducing a private American firm to provide the help and support which had been denied from the U. S. government. Though he had never before heard of the Firestone Company, President King actively interested himself in the purposes of this visit.

During the ensuing months, as President King continued to pursue this possibility, he had the encouragement and advice of the U. S. Department of State. Convinced that the existing temper of the Senate foredoomed any new attempt to obtain a government loan for Liberia, the State Department had quietly been directing Firestone's attention to Liberia, and subsequently it began to urge the Liberians to explore possibilities with the Company. Nevertheless, much was at stake and President King was not to be hurried despite the urgency of Liberia's own situation. He wished to assure himself of Firestone's intentions and record of honest and responsible behavior and to make certain that Liberia, too, would obtain needed benefits from any arrangement made with the Company. The lease on the small, abandoned Mt. Barclay plantation was quickly negotiated. But the much larger proposal to grant Firestone a concession to plant up to one million acres required more careful consideration. Accordingly, in August 1925, President King sent the Liberian Secretary of State, Edwin J. Barclay, to the United States to investigate Firestone's *bona fides* and to continue the negotiations previously begun in Monrovia.

For its part, too, Firestone was not willing to embark upon the more ambitious scheme unless something was done to improve Liberia's very precarious economic and financial situation. At first Harvey S. Firestone took the view that the defunct proposal for a U. S. government loan to Liberia must be revived. But the State Department soon convinced him of the impossibility of doing so. Mr. Firestone then proposed that the Firestone Plantations Company, which would be formed to administer the proposed concession, should extend a loan to Liberia. However, the Liberians were adamant against accepting a loan from a private firm which would operate inside the country for fear that the company would acquire too great an influence over internal Liberian affairs.

After long negotiations and considerable prodding of both parties by the State Department, the issue was compromised. Mr. Firestone agreed to form a second corporation, independent of the Plantations

Company, to supply the loan; the Liberian government reluctantly concurred in this arrangement. After a vain attempt to persuade a group of New York bankers to provide the required funds, Mr. Firestone formed the Finance Corporation of America with his own resources.

It was at this time, also, that Firestone agreed to build a deep-water harbor at Monrovia. Thus, three separate agreements were eventually negotiated. As a result of protracted negotiations and hesitations and fears on both sides, the agreements were not completed and ratified by the Liberian Legislature until November 1926.

Despite Liberia's needs, the decision to admit into a small poverty-stricken country a private corporation which would operate on the scale envisaged by Firestone was not easy. There were grave risks that the Company would try to dominate the country. But, in the minds of President King and other Liberian leaders, these risks were outweighed by the future political advantages which Liberia could obtain from Firestone's growing stake in the country's independence and welfare. Firestone's original motivation in coming to Liberia was to find a place in which to grow rubber outside the control of the European imperial powers, with their predilections for restrictive practices and monopoly control. Thus, the Liberians believed that the Company's interest would coincide with their own in keeping Liberia free of European domination. Moreover, the Liberians felt that the presence of Firestone—a large and influential American corporation—was one of the best possible ways of ensuring strong and active support from the U. S. government in any future difficulties with the European powers. These prospective political advantages, rather than considerations of immediate financial help or long-term economic benefits, proved decisive with the Liberian government and overcame both its general fears about admitting so large a private foreign interest and its specific doubts and objections with respect to some of the details of its agreements with Firestone.

In the short run, this expectation of political support was only in part justified, certainly not to the extent that the Liberians would have liked. Three years after the ratification of the agreements with Firestone, Liberia's troubles began over the slavery issue and the League of Nations' plan of assistance. The Liberians were disappointed in the roles of Firestone as well as the U. S. government during the difficult early 1930's, though neither the State Department nor the Company in any sense abandoned Liberia to its fate. In the longer run, however, the original expectations of the Liberian government

have been exceeded beyond anything imagined in 1925 and 1926. For the past 15 years, the interest, support, and assistance of the U. S. government and of Firestone have been decisive factors in the economic development, political progress, and strengthened international position of the country.

Terms and Conditions of the Firestone Concession

The three agreements with Firestone ratified by the Liberian Legislature in 1926 and their subsequent amendments established the basic terms and conditions under which the Company has operated in Liberia for the past 30 years.

The Harbor Agreement

The least important of the agreements dealt with Firestone's construction of a deep-water harbor at Monrovia. Under the terms of the agreement, the Company was obligated to spend for this purpose a sum not to exceed $300,000, which the Liberian government was ultimately to repay. After spending more than $115,000, Firestone concluded that a harbor could not be built except at a cost that would run into millions—a conclusion borne out by the subsequent cost to the U. S. government of over $22 million. Neither Firestone nor Liberia could afford to undertake so expensive a venture. In consequence, the agreement was cancelled by mutual consent and Firestone absorbed the full expense of the work already done.

The Planting Agreement

The Planting Agreement is a document of some complexity and length. The Company is granted the right to lease not more than one million acres at an annual rental of 6¢ an acre for a term of 99 years. This was the customary rental price of other concessions granted by the Liberian government to foreign companies and individuals. However, a more important source of income for the Liberian government, once the plantation became productive, would be a tax of one percent of the gross value of all rubber (and other products) exported by the Company, calculated upon the closing price in the New York Rubber Market on the day a shipment was made. This provision was superseded in 1950 when Liberia adopted an income tax. Firestone aided the Liberian government in drafting the basic income tax legislation and in making itself fully subject to the new law's provisions. The Company voluntarily waived tax exemptions previously provided in

The Setting for Firestone in Liberia 1926–1956

Liberia's "century of survival" began in the 1820's—

J. T. Smith, Washington, D. C.

THE FIRST SUCCESSFUL SETTLEMENT was here on tiny Providence Island in 1822. Shortly, the pioneer fathers moved on to the mainland where they named the colony Monrovia for James Monroe, then President of the United States. The population increased as immigrants continued to arrive from the United States and Africans were freed from slave trading ships.

BY 1850, the colony had become a nation. It had a constitution and a political and social life based on that in the United States. Here is the residence of Joseph Jenkins Roberts, first President of the only independent Negro republic in Africa.

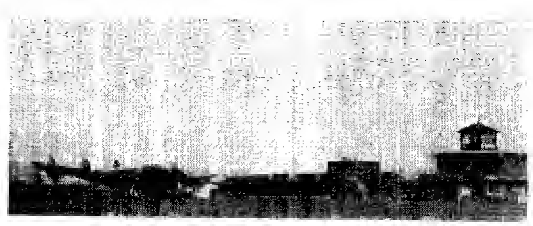
(From an old print)

Since the 1920's, Liberia has achieved steadily advancing economic and social development—accelerated during and after World War II.

MONROVIA is the center of the nation's cultural and commercial life.

(All photographs, unless other credits are given, from Firestone News Service.)

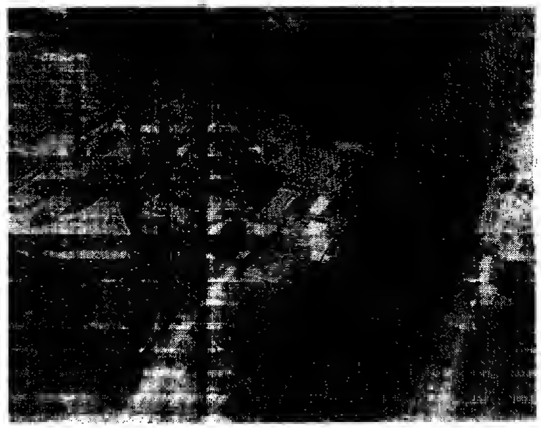
ROBERTS FIELD airport's first runway was carved out of the jungle by Firestone, and it was a vital wartime link in allied air routes. In a country still plagued by inadequate transportation facilities, it has had a major impact on Liberian growth.



A Country of Contrasts—

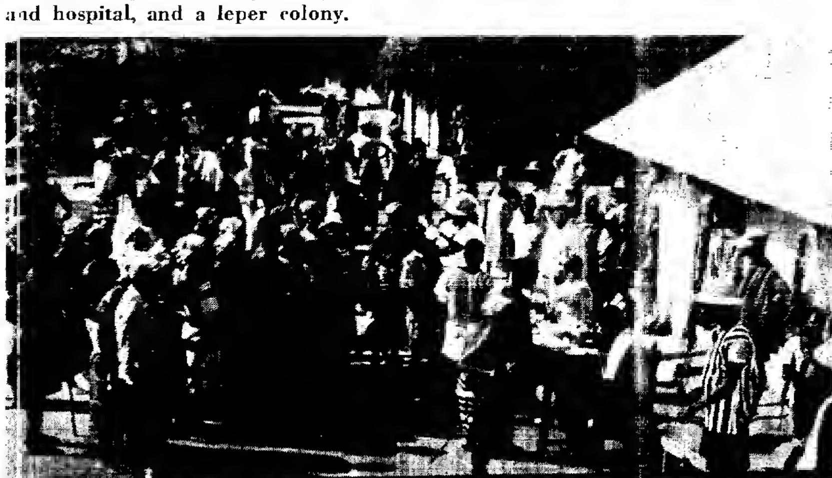
Only about 150,000 of Liberia's citizens are taking an active part in Liberia's money economy and its social and political life. They live mainly on the narrow coastal plain, or on foreign concessions, although some are in the larger towns and villages along the rivers and few roads of the wooded, hilly hinterland.

A BUSY INTERSECTION in Monrovia. The Bank of Monrovia, seen in the background, was established by Firestone when the British Bank of West Africa withdrew in the early thirties, leaving Liberia with no other banking service. In 1955, Firestone sold it to the First National City Bank of New York, and other investors are now starting additional banking ventures.



TREE CROPS—both wild and cultivated—are Liberia's greatest potential and developed national resource. Firestone's Harbel plantation, the world's largest and most productive rubber plantation, is seen here across the Farmington River from a small Liberian settlement.

AMERICAN MISSIONARIES, from Liberia's start, have been a major source of support for the young nation. Dr. George W. Harley and his wife—shown below with natives—in the 1920's started a mission at Ganta, near the French Guinea border. They are also operating vocational and nurses' training activities, a clinic and hospital, and a leper colony.



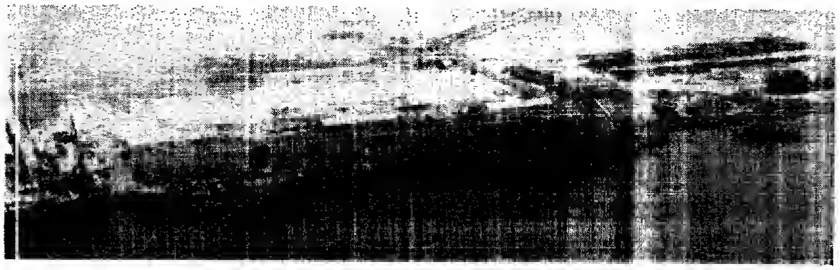
The tribal people—the great bulk of Liberia's population—adhere to centuries-old customs and beliefs. The government's "unification policy," designed to integrate these citizens into the political, economic, and social life of the country, while overcoming deficiencies in health, education, and productivity, is making slow, but steady progress.

INSTALLATION of tribal chiefs as provisional delegates in the legislative body.

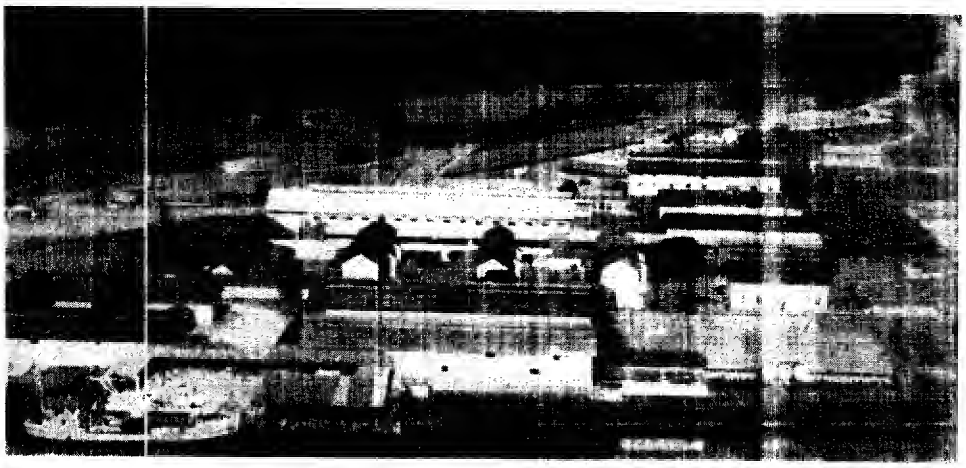
TRIBAL CHIEFS at the second inauguration of the present President, William V. S. Tubman.

DESPITE LEGAL PROHIBITION of some of the worst cruelties and terrors of the old native religion, the witch doctor—a combination of priest and dispenser of "bush" medicine—is still greatly feared and respected. Here, in a tribal village, is the lighter side of the old religion which is still being encouraged for recreational reasons.

Public and Private Investment in Liberia's Economic Development



LEND-LEASE FUNDS paid for the Free Port of Monrovia—one of the largest and most modern on the West African coast. Accommodation of ocean-going vessels was a prerequisite for increasing Liberia's major exports, agricultural products and iron ore.

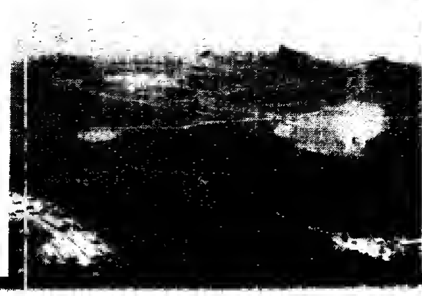


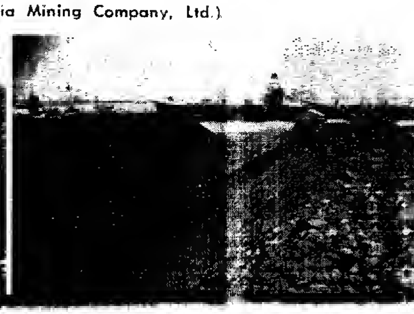
FIRESTONE PRODUCES over 90 percent of Liberia's main export, rubber, on its Harbel and—much smaller—Cavalla plantations. Beyond the dock at Harbel are buildings for processing, baling, packing, and storing rubber, and in the background some of the 10 million rubber trees grown by Firestone. Firestone's total tax and rent payments to the Liberian government in 1955 were over $5.8 million, or nearly 39 percent of the total governmental revenue.

THE LIBERIA MINING COMPANY, whose largest stockholder is Republic Steel Corporation, has a concession for the rich Bomi Hills iron mines which, next to agriculture, contribute most to Liberia's gross national product.

THE ONLY RAILROAD in Liberia's 43,000 square miles is this line, built and operated by the Liberia Mining Company, to haul ore about 45 miles to the Port of Monrovia, from which the Company operates its own ore carriers.

(Pictures below by Liberia Mining Company, Ltd.)

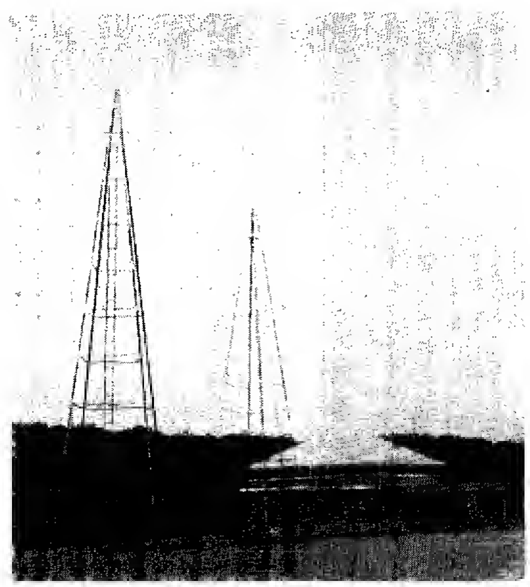




A ROAD-BUILDING PROGRAM, partly financed by Export-Import Bank loans, is an important element in Liberia's nine-year plan for development, as indicated by the fact that there are only about 850 miles of improved and unimproved roads in the country. The only hard surfaced roads now are in and around Monrovia and on the Firestone plantations. At left is a typical Harbel road.

FIRESTONE'S HYDROELECTRIC PLANT provides the Harbel plantation needs, and the Company has its own telephone and water installations. Public utilities are only beginning to be provided in Liberia, and the government's development program includes provision of additional sewerage and water systems, and radio, telephone, and electric services.

THE UNITED STATES-LIBERIA RADIO CORPORATION is a Firestone subsidiary, set up primarily to operate Harbel's trans-Atlantic transmitter and receiver, which keeps the Company's executives in close touch with the home office in Akron, Ohio. It also provides local radio communications for all Firestone subsidiaries in Liberia and the public generally.



THE PRODUCTION of rubber is a hand operation. Here, in a newly cleared field, stakes mark the spots in evenly spaced rows where holes are to be dug and prepared for young trees transplanted from the plantation's nursery.

The Rubber Plantations— Firestone as Researcher, Planter, Processor, Shipper, and General "Housekeeper" for 25,000 Employees.

The Company rents from the Liberian government and actively operates about 100,000 acres—approximately 90,000 at Harbel and 10,000 at Cavalla. Its average annual yield of natural rubber per acre is 1,048 pounds, the highest in the world. And some of the divisions are producing as much as 1,600 pounds.

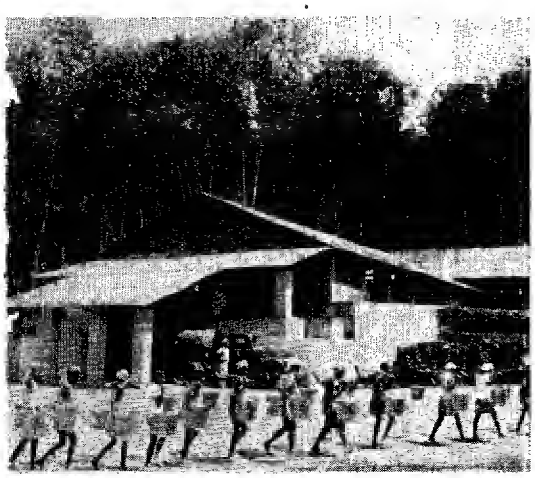
The bud-grafted stump, shown below, must be planted at exactly the right depth. The permanent new budded tree, such as that at the right, will sprout out from the eye of the bud patch. Over the years, Firestone has developed trees with higher and higher yields by bud-grafting. Instead of increasing substantially the size of its plantations, Firestone now is replacing its older, less productive stands with higher yielding stocks.

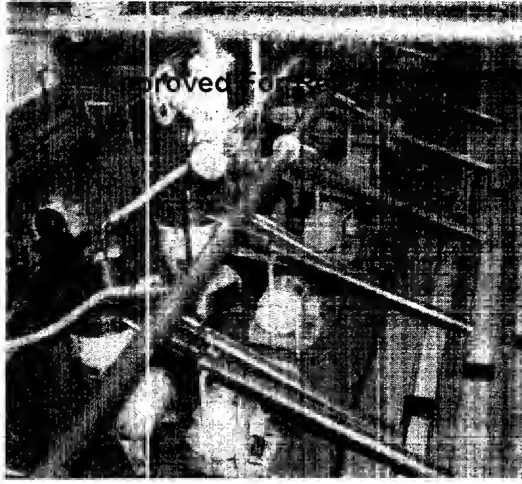
Firestone is Liberia's largest employer, and most of its unskilled workers—about 22,000—are recruited for field work from the tribes in the hinterland.

FIELD WORK begins at daybreak, when workers start out from divisional headquarters for the trees assigned to them —usually about 250 to 300 trees each.

THE DAILY TAPPING of the rubber trees is an important and delicate task, because the way it is done can affect the productivity and health of the tree. Firestone trains new and inexperienced recruits before they are assigned to regular tapping gangs, but usually it takes several months for a tapper to become proficient.

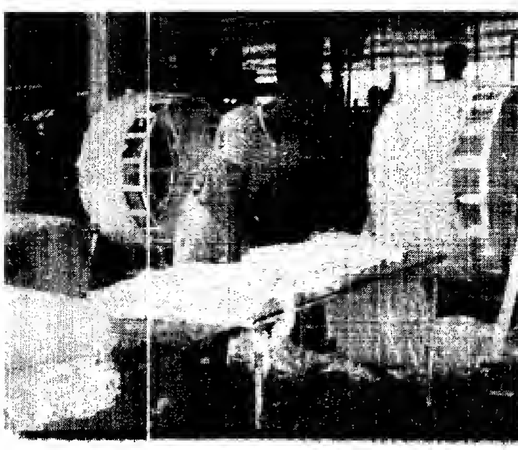
THE TAPPERS, after emptying rubber from the collecting cups into pails, carry the liquid latex to a collection station where it is weighed, strained, and picked up by tanker trucks and delivered to the processing plant at Harbel.





HARBEL'S LATEX PLANT is highly mechanized and is the largest in the world. Most of the liquid latex—about 80 percent in recent years—is placed in powerful centrifuges which separate the pure latex from most of its natural water content.

THE REMAINING LATEX and scrap rubber is coagulated, pressed into sheets, dried and baled. Part of this process is shown in the pictures below.



Liberia's Largest Trainer of Human Skills

Most of Firestone's skilled and semiskilled workers—called "classified employees"—are former field hands who have been trained by the Company. During the past three decades, many have moved on to other jobs in Liberia.

Among the 3,000 classified employees now with Firestone are factory machine operators and maintenauce and repair men, as well as carpenters, painters, masons, electricians, draftsmen, auto mechanics, and truck drivers. Some are supervisory personnel, or have such office positions as secretaries, bookkeepers, office machine operators, clerks, and messengers.

SHUTTLE CRAFT regularly carry rubber from Harbel to Monrovia, where it is transhipped to the United States; and they also bring supplies to the plantation.

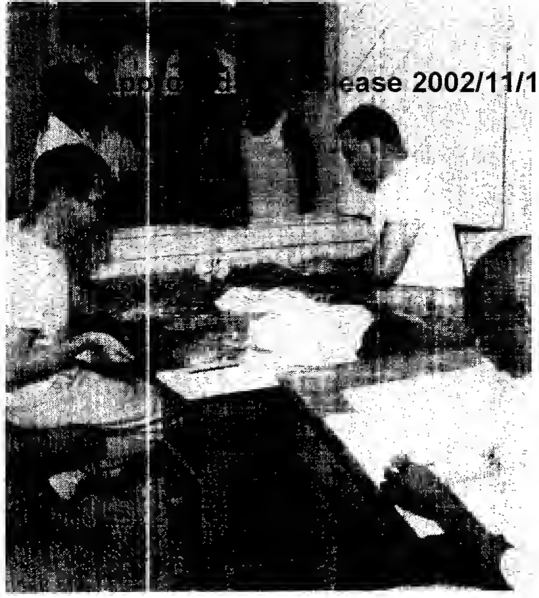
Firestone Assistance to Liberian Farmers

Seeds, cuttings, and stock of the many tropical plants grown and tested in the extensive botanical nursery at Harbel are given free to any Liberian who wants them, and Firestone also will provide free technical services and advice.

THE HARBEL CHEMISTS constantly seek new methods to produce and improve rubber. Firestone developed and has distributed free over 4.5 million seedlings of a hardy and high-yielding rubber tree which is well adapted to the needs of Liberian farmers. And, upon request, Firestone purchases and markets their rubber.

OIL PALMS—important to the native diet as well as for export—are grown in the nursery at Harbel. Also, Firestone technicians are developing a more rugged, higher yielding strain of the upland rice traditionally grown by the tribal people.

THE NATIVE "BUSH" COW, though miniature in size and far too few to meet the severe protein deficiency of most Liberians, is disease resistant. Firestone, through selective breeding of these indigeneous cattle, has developed a small herd which can be fattened to double the size of the unimproved stock. It expects to be able, within a few years, to provide breeding stock to Liberians.

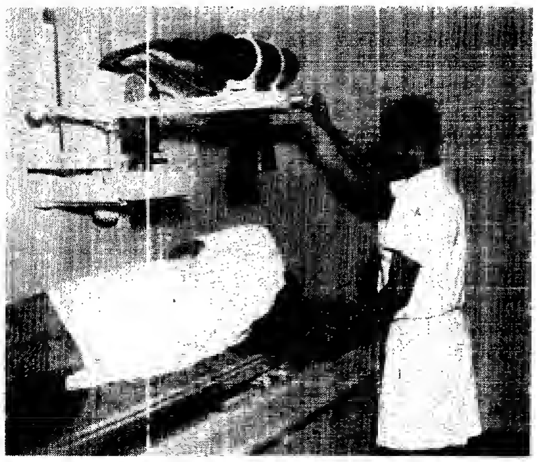


Firestone—Pace Setter for Wage and Price Levels, Labor Relations, and Health, Educational, and Recreational Services

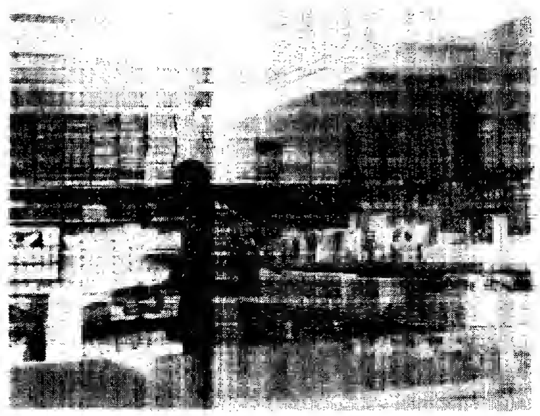
OVER THE YEARS, Firestone has paid the highest wages in the country for each category of skilled and unskilled labor, and it employs over 10 times more workers than the next largest private employer. Its standards on wages and fringe benefits are copied to the best of their abilities by other foreign concessions.

FREE HOUSING is provided for all Firestone workers and their families. The houses of field workers—purposely copied from the native adobe and thatched-roof huts—are gradually being replaced by houses of brick with tile roofs.

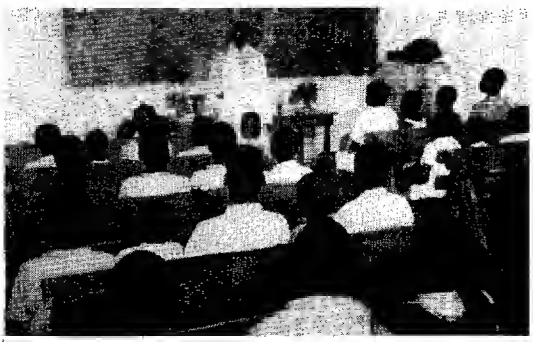
FREE HEALTH SERVICES are provided by a medical staff at well-equipped hospitals on each plantation, at health centers in each field division, and a clinic near the central administration building at Harbel. In 1955, more than half a million visits by patients were handled by the Harbel medical facilities.



FOOD AND HOUSEHOLD GOODS are sold to all Firestone workers at subsidized prices at retail stores on the plantations. The United States Trading Company, a Firestone subsidiary, which handles purchases for the stores, is Liberia's largest importer, wholesaler, and warehousing agency. Through its sales to Liberian wholesalers and retailers, it has exercised a restraining influence on price rises for consumer goods and light capital equipment.



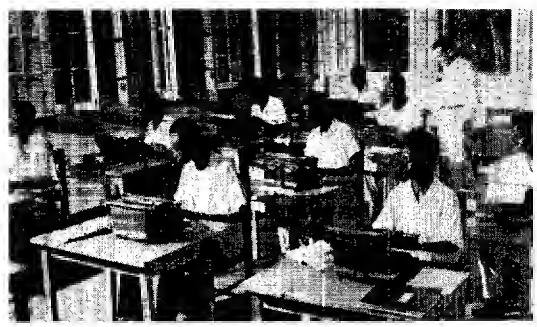
Free schools, churches, clubhouses, and sports facilities for all workers and their families are part of Firestone's contribution to employee welfare and morale, and to the government's unification policy.



AT HARBEL'S 15 SCHOOLS — and more are being added each year children take an elementary course, first to eighth grades, in the mornings; a basic literacy course is offered for adults in the afternoons and evenings.

THE ELEMENTARY CURRICULUM is identical with that in the Liberian government's schools. The government selects teachers and inspects the schools regularly; Firestone pays teachers' salaries and all other costs of the schools.

A LARGE CENTRAL SCHOOL offers additional courses for adults and a special 13- to 16-month clerical training course for selected young employees, during which they receive pay and maintenance.



SATISFACTORY COMPLETION of an elementary school education in English and vocational training at the plantation makes employees eligible for scholarships for advanced vocational schools in Liberia, followed by two years at Cuttington College. The best of the College scholarship students may be sent to the United States for further training. Below is the president's office, library, and science building at Cuttington College – one of the two institutions of higher learning in Liberia.

THE "FIRESTONE BUNGALOW" has been developed to provide comfortable living for American and European employees despite Liberia's heat, high rainfall, and teeming insect life.

American and European employees and their families, like the Liberians, receive substantial fringe benefits. Although the Liberian government originally set a limit of 1,500 white Firestone employees, the total—including those in Liberia, on home leave, and the unfilled vacancies—now amounts to only 180, of whom 115 are Americans. Most of the foreign employees in Liberia are accompanied by their families—103 wives and 99 children.

AN ELEMENTARY SCHOOL is provided for children of foreign employees, but parents must send older children to their home countries for secondary schooling. The Company pays transportation costs for such students.

MEATS AND DAIRY PRODUCTS are important among the provisions imported and sold at near cost to Firestone employees by the well-stocked USTC store.

THE FIRESTONE GUEST HOUSE overlooks this 9-hole golf course at Harbel, and there is another, larger clubhouse for the foreign employees. The clubhouses of both foreign and Liberian employees are used for dances, entertainments, sound movies, and other social events.

the Planting Agreement and, since, has paid the maximum income tax rate of 25 percent. In addition, the Company undertook in the Planting Agreement, and continues, to pay certain taxes—including hut taxes and other direct levies—for its Liberian employees during their terms of service.

In return for these annual payments, Firestone was granted the rights to:

- Plant, process, and export rubber and other agricultural products.
- Mine any minerals on its leased lands.
- Build and use roads, bridges, airfields, pipelines, telephone lines, radio stations, hydroeletric facilities, and power transmission lines on and between its leased lands.
- Use public highways, public transportation, and harbor facilities; import duty free the equipment and supplies needed for its operations.
- Construct and operate a trans-Atlantic radio transmitter and receiver so that it would have direct and rapid communication with the main office in Akron, Ohio.

Firestone agreed to import foreign laborers only with the Liberian government's permission and not to employ more than 1,500 whites at any time. Disputes between the Liberian government and Firestone which could not be settled by mutual agreement were to be decided by three arbitrators appointed respectively by the Liberian government, Firestone, and the Liberian Supreme Court. If either party wished to appeal the decision of this tribunal, the Liberian government undertook to arrange with the U.S. Department of State for a further arbitration—presumably at an international level—of the matters in dispute.

The Loan Agreement

The most difficult to negotiate was the Loan Agreement. Under its terms, the Liberian government was to issue not more than $5 million of 40-year, seven-percent gold bonds. The Finance Corporation of America was immediately to purchase an initial issue of half this amount at 90. The remainder could be issued and would be purchased by the Finance Corporation only when the revenues of the Liberian government exceeded $800,000 a year for two consecutive years. Service of the loan (including interest and gradual accumulation of a sink-

ing fund to retire the principal) was to be a first charge on the government's revenues obtained from import duties, the head tax, and the Firestone Plantations Company.

Interest at seven percent seems high today, but it was the standard rate at which most foreign governments—including even the French and the Belgian—were borrowing in the New York money market throughout the 1920's. Indeed, in view of Liberia's performance record on its previous loans, it is somewhat surprising that the rate was fixed that low. Several South American governments with financial histories no worse—and sometimes better—than that of Liberia could only borrow at eight percent or higher during these same years. It may also be recalled that Wall Street had already turned down a loan to Liberia on any terms. Moreover, the interest rate was subsequently reduced in conformity with the general downward trend of interest rates, as well as to ease Liberia's difficult financial situation.

The interest rate was not responsible for the protracted negotiations, nor did it cause most of the subsequent disputes over operation of the Loan Agreement. Problems arose, instead, from other provisions of the Loan Agreement, which were modeled upon the earlier loan proposal of the U.S. government. The latter's defeated loan proposal was intended not only to provide needed financial aid to Liberia, but also to induce the Liberian government to adopt and faithfully carry out widespread fiscal and administrative reforms. Provisions were designed to ensure that the Liberian government would live within its means and to stop, if possible, the drain upon the national treasury of the traditional Liberian spoils system. To this end, the 1922 governmental loan proposal provided for supervision of the entire Liberian financial system by a team of American advisers and it specified in detail the reforms to be adopted as a condition of obtaining a loan.

Both the U.S. Department of State and Harvey S. Firestone were convinced that similar provisions had to be included in the 1926 Loan Agreement to assure that the loan would be serviced and would provide more than a temporary benefit. Accordingly, as finally and most reluctantly approved by the Liberian Legislature, the 1926 Loan Agreement provided for an American financial adviser, to be nominated by the President of the United States and appointed by the President of Liberia, and a number of subordinate advisers and auditors who were also to be Americans. These supervisors—though fewer in number and with more limited powers than proposed in 1922—were granted extensive powers over the whole Liberian financial establishment. The Agreement carefully described these powers and defined at length the

reforms the Liberian government was to institute and which the American supervisors were to ensure that the government subsequently would follow. In addition, the Agreement contained an elaborate sliding scale formula by which successive increments in government revenues were to be divided among service of the loan, ordinary governmental activities, and improvements in public health, road building, and other development purposes.

From the beginning, these provisions of the Loan Agreement were extremely irksome to the Liberians who regarded them as improper infringements of Liberian sovereignty. In effect, the Liberians felt that their government was no longer master in its own financial household. It could not contract any new debts, external or internal, without permission. It could not spend its revenues as it wished. It had to follow budgetary, operating, and accounting procedures which—though still far inferior to those customarily used by the U.S. and West European governments—were nevertheless much more stringent than anything known previously in Liberia. The Liberians resented the salaries of the American supervisors, which were comparable to those paid for similar work in the United States but at least double those customary in Liberia. Compared with these grievances arising from the Loan Agreement, other conflicts and frictions between Liberia and Firestone during the past 30 years have been of very minor importance.

From the point of view of the U.S. government and Firestone, these provisions of the 1926 Loan Agreement were seen in an entirely different light. Both believed that it was essential to bring some order into Liberian finances and both were convinced that the Liberians would not or could not do so themselves. Both felt that Liberia's failure to reform its own financial household since the 1906 loan proved its unwillingness or incapacity to undertake such measures without friendly but firm outside urging and support. Nonetheless, Mr. Firestone had apparently been reluctant to be a party at interest in the Loan Agreement, having vainly tried to revive the possibility of a governmental loan and then to induce a neutral group of Wall Street bankers to provide the funds. Whether, at the time, he anticipated the subsequent friction and bitterness over the Loan Agreement is impossible now to ascertain. In administering the Agreement, the Finance Corporation recognized the basic resentment of the Liberians over the powers accorded to foreign fiscal officers. Unless Liberian violations were major or basically weakened the general purposes of the Loan Agreement, no objections were made by the Corporation, especially after 1939. But, unquestionably, Firestone officials were no less happy than the Liberians them-

selves when the final repayment was made and the Loan Agreement terminated.

Although the Agreement provided for a total of $5 million, of which half was to be made available initially, only a little over $2.25 million of bonds were ever issued to the Finance Corporation by the Liberian government. Most of the proceeds were allocated to retire the 1911 loan, with its large arrears of interest, to repay small sums advanced for emergency purposes by the U.S. government in previous years, and to liquidate Liberia's internal and floating debt, which amounted to over $600,000 in 1926. The relatively small remaining balance of about $170,000 was used for various public works.

Relations between the Liberian government and the Finance Corporation were reasonably harmonious until the onset of the great depression. From 1930 on, however, the Finance Corporation refused to make further advances under the loan, charging the government with violations of the Agreement, including accumulation of a new floating debt which amounted to $680,000 within two years. In 1932, the Liberian Legislature passed a moratorium on the 1926 loan, the acting financial adviser was dismissed, and numerous other violations of the Agreement were committed. These actions occurred concurrently with, and were related to, the dispute over the slavery issue and the League of Nations' plan of assistance, and were vigorously protested by the U.S. government, the Finance Corporation, and the League. Despite Liberia's refusal to rescind them, the Finance Corporation was nevertheless willing to negotiate a revision of the Agreement, reducing the interest rate to five percent and foregoing the prior claim of the loan service on the major government revenues. In addition, the Finance Corporation was willing to forego interest entirely in any year in which total government revenues fell below $500,000 and to advance $150,000 as working capital for the League's plan of assistance, provided Liberia ratified it. It was not until January 1935, when the League plan of assistance was a dead issue, that the Liberian government signed a Supplementary Loan Agreement with the Finance Corporation which put changes similar, though not identical, to the foregoing into effect and elaborated the sliding scale formula for dividing the successive increments of total government revenue above $450,000 a year.

Several other revisions of the Agreement were made in subsequent years, the most important being in 1939 and 1944, when the interest rate was voluntarily reduced to four percent by the Finance Corporation and the sliding scale formula changed again. Increasing govern-

ment revenues during the 1940's enabled the Liberian government to accelerate repayment of the loan. In 1952, the last payment was made and the 1926 Loan Agreement came to an end. The repayment of the loan was made possible mainly by the large revenues received from the Firestone Plantations Company.

Some indication of how happy Liberians were to be released from restrictions of the Loan Agreement are found in their celebration of its ending. Credit for paying off the loan 14 years before the final installment was due was given to President Tubman, who was elected to office in 1944 when the accelerated amortization began. In gratitude for his achievement, the Liberian Legislature voted in 1952 to erect a statue of President Tubman, which was completed and unveiled early in 1956. On the pedestal of the statue—which stands in front of the Capitol building in Monrovia—is an inscription which reads:

> *This Monument erected by the People of Liberia is dedicated to the great relief brought to the Country by the Tubman Administration in the retirement of the 1926 Loan with its humiliating and strangulating effects on the economy of the Nation.*

In his speech at the dedication of the statue, President Tubman pointed out how fitting it was that he should be chief executive when the loan was retired, since, when the Agreement was under consideration by the Liberian Legislature, it "was made a party measure, and to me was committed the responsibility of sponsoring the bill in the Senate and of introducing it, which I did, and the bill passed into law." The President added that, together with the coming of the Firestone Plantations Company, "the 1926 loan with all of its objectionable features and aspects [nevertheless] solved all of the problems of border incidents and threatened sovereignty." Thus, President Tubman judiciously acknowledged not only the bitter feelings of two generations of his countrymen about the loan, but also the sagacity of former President King who had originally agreed to the loan in 1926 for precisely such political reasons.

III.

Firestone's Operations in Liberia

NO REGULAR FIRESTONE OFFICIAL had ever had any experience with the planting, cultivating, tapping, or processing of natural rubber, when the Firestone Plantations Company began rehabilitating Mt. Barclay in mid-1924. Only two of the major American rubber companies—Goodyear and the United States Rubber Company—were by then operating rubber plantations, which they had started some years earlier in Southeast Asia. A number of small American-owned companies were growing rubber in the Philippines. Beyond this, however, few Americans had had practical experience of rubber growing at the time Firestone came to Liberia.

Development of the Firestone Plantations

EVEN BEFORE THE PLANTING AGREEMENT was ratified, two areas had been selected for plantation development by Firestone exploration parties. The first area, which was to become the main Harbel plantation, was on the Du River about 20 miles east of the Mt. Barclay estate and about 40 miles east of Monrovia. The second, to become the Cavalla plantation, was near Cape Palmas about 240 miles from Monrovia on the Cavalla River, which forms the boundary between Liberia and the French Ivory Coast. The development and operations of the Harbel and Cavalla plantations are similar stories, although Harbel is far larger, and its activities are much more extensive. As a result, the Harbel plantation receives the bulk of attention in this study.

The first general manager of the Plantations Company in Liberia was Donald A. Ross, who had made the initial visit to the country on the Company's behalf in 1923. Under his direction, the sites of the plantations were chosen; the bush on the plantations was laboriously cut down and burned; and seedlings from the nursery started earlier at Mt. Barclay were planted. By the end of 1928, more than 15,000 acres had been cleared and planted. Planting continued at a rapid rate for four more years.

Earlier in 1928, the Company began to use high-yielding, budgrafted stock purchased in the Netherlands East Indies. The seeds of

ordinary *Hevea* trees will produce a mature tree with a strong and healthy root but with a limited latex yield. By repeated cross-breeding of higher than average yielding specimens, the Dutch were able to develop strains of trees—called "clones"—which produced double and eventually triple the amount of latex. But their root systems tended to be weak and they did not always breed true when raised from seed. For this reason, the best method was soon found to be the grafting of a bud from a known high-yielding clone onto an ordinary seedling root. Higher and higher yielding clones have been developed over the years, some by Firestone in Liberia. Today, an acre planted with trees from high-yielding clones will often produce as much as four times more than the 400 to 500 pounds from ordinary seedling trees. In 1931, Firestone stopped planting seedling trees and switched to bud-grafted stock.

With the onset of the great depression in 1929, rubber prices began to fall and eventually reached a low of 3¢ a pound in June 1932. By then, Firestone's rubber trees planted in 1926 and 1927 were nearing tapping age, but rubber prices at so low a level would pay only a small portion of the costs of tapping, processing, and transporting. In consequence, tapping was not started and planting was stopped. The Liberian and American staffs were drastically reduced and the plantations were put on a stand-by basis. This necessary action coincided with difficulties between Liberia and the League of Nations and between Liberia and Firestone over Liberia's failure to live up to the terms of the 1926 Loan Agreement. These years were the most discouraging in Liberian-Firestone relations as well as the most difficult financial period for both.

In 1934, rubber demand and prices began to move upward again, and the acres already in rubber were soon rehabilitated and regularly tapped. During the remainder of the 1930's, additional acres were cleared and more rubber trees planted. By 1940, some 72,500 acres had been planted, and 7,000 tons of latex were being produced from the 39,200 acres which were by then of tapping age.

World War II gave the Firestone operation in Liberia a worldwide significance. There was not only the part played by Firestone in making Liberia a major airbase on the vital South Atlantic route to the European, African, and Pacific battlefronts. Of equal importance was the fact that the Firestone plantations in Liberia were in large-scale production and, with Ceylon, were the only sources of cultivated rubber accessible to the Allies after the Japanese conquest of Southeast Asia. The Company made every effort to increase its production as rapidly as possible. Trees were tapped before they reached

the customary age, and mature trees were overtapped by double panelling, shortened resting periods, and other measures, with the risk of reducing their remaining productive life. By these means, the output of the two plantations was more than doubled between 1940 and 1943, reaching 14,400 tons in the latter year. In 1945 Firestone's production was about 20,000 tons a year. All of this natural rubber—much of it high-grade concentrated latex—went into the vital but diminishing stockpile of natural rubber which was one of the U.S. government's precious assets during the war.

After the war, overtapping was stopped and production temporarily declined. However, planting had continued during the war and by the late 1940's new acreage was coming into production. Also, further progress was made in the development of higher yielding clones and of improved cultivating and tapping methods, and each new section was more productive than the older stands of trees. Major acreage expansion stopped early in the 1950's. Instead of continuing to increase substantially the size of the plantations, Firestone decided that future increases in production should be obtained by replacing old clones in all of the older sections with high-yielding clones Since 1954, an intensive replanting program has been underway. While theoretically this program will never be finished, it is estimated that the present plan will take 25 to 30 years to complete.

Today, the Harbel plantation contains over eight million rubber trees on approximately 90,000 acres in a roughly heart-shaped area, which measures about 20 miles at its longest and widest points. The Cavalla plantation has some two million rubber trees in a rectangular area of about 10,000 acres. In total, the Company actively operates 100,000 acres on which over 10 million rubber trees grow. Total output in 1955 was over 38,000 tons of concentrated liquid latex and coagulated sheet rubber. About 80 percent was shipped in the form of latex and 20 percent as baled coagulated sheets. The average yield of 1,048 pounds per acre per year is the highest in the world, while on divisions planted with newer clones, the yield is as much as 1,500 pounds.

The two plantations contain 275 miles of improved roads suitable for use by the heavy latex tanker trucks in all weather. In addition, there are over 660 miles of roads suitable for motor cars in dry weather and for jeeps all year round.

It was essential to locate the Harbel plantation on a river, as no road existed beyond Careysburg, a few miles northeast of Mt. Barclay, and not enough unoccupied land was available near the road between that village and Monrovia. The site chosen was only about a

dozen miles from the mouth of the Du as measured in a straight line, but the distance that actually had to be travelled on its serpentine course was close to 40 miles. As the Harbel plantation was gradually extended eastward in later years, it became apparent that the much wider and straighter Farmington River, some seven miles beyond the Du, offered a better means of transportation. Today, the Farmington River forms the eastern boundary of the plantation and the docks on it are only a dozen miles by water to the sea.

The Harbel plantation in 1940 built the largest latex processing plant in the world. This factory is adjacent to the docks on the Farmington River, at which the coasting vessels that regularly ply to and from Monrovia load concentrated latex and baled rubber and unload plantation supplies. A short distance above the docks is the hydroelectric plant completed in 1942. This supplies power for the factory and the trans-Atlantic radio transmitter, for electric light and telephone systems on the plantation, and for residential and hospital cooking, heating, and refrigerating purposes.

Operation and Organization of the Plantations

A very large element of unskilled labor is required in the production of natural rubber. Except in clearing the land for planting, no way has yet been found to introduce any significant degree of mechanization into the basic field operation. In contrast, the subsequent stages of processing are highly mechanized. But the planting and tapping of the rubber trees, and transporting raw latex to the collecting stations, where it is picked up by the tanker trucks, are all essentially hand operations. This is why it is economical to produce natural rubber only in regions with an ample and relatively cheap supply of labor.

The plantation is made up of divisions of from 1,500 to 2,500 acres, depending upon natural boundaries and the needs of efficient supervision. (There are 45 of these divisions at Harbel and six at Cavalla.) Each division has a central headquarters consisting of an office, a warehouse for supplies and equipment, and a collection station containing the tank in which raw latex is stored and the equipment for weighing and straining it as it comes from the field. Nearby are the villages in which the tappers live and the divisional store, carpentry and repair shop, health center, and school. The divisional superintendent—either an American or European—also usually has his house near

the headquarters. His staff—all Liberians—consists of several overseers, a clerk, a male nurse or a dresser, and a number of skilled and semiskilled workers at the collection station and the carpentry and repair shop.

The tappers are organized into field units of from 20 to 30 men under the control of a headman. Each overseer supervises three to five field units. All overseers and most headmen speak English, as well as one or more tribal dialects. In contrast, a majority of the tappers speak only their tribal languages and understand little or no English.

Field work begins at daybreak when the units assemble at divisional headquarters under their respective headmen and overseers. The clerk notes the names [1] of those reporting for work. Then after the superintendent gives any special instructions for the day, each tapper walks to his assigned area which, depending upon whether the terrain is easy or difficult to traverse, contains from 250 to 300 trees. At each tree, the tapper first collects the scrap from the previous day's tapping which has coagulated in the collecting cup and spout, along the diagonal incision on the tree trunk, and on the ground around the tree. Then, with a sharp curved knife especially developed for the purpose, he cuts away another thin layer of bark the full length of the incision made by previous tappings. This exposes a new layer of cells which immediately begins to ooze latex. This brilliantly white, milky fluid flows down the incision into the spout and drips into the collecting cup suspended below it. The tapper squirts a few drops of anti-coagulating chemical into the cup and moves on to the next tree. Less than a minute per tree is required, except in bad weather. When all of his trees have been tapped, the worker has a rest period of about two hours. However, several days a month this period is used for weeding any shade-loving plants which may have sprung up under the rubber trees. For this the tapper is paid extra.

At about 10:30 a.m., a gong, which can be heard throughout the division, is the signal for the tappers to start a second round of their assigned trees. This time, the tapper has two stainless steel pails suspended by cords at opposite ends of a "picul stick" carried across the

[1] Most workers do not use their tribal names but take new names upon arriving at the plantation. These may be ordinary Christian names like Joseph (sometimes there are so many Josephs that they are numbered in order of seniority), Thomas, and Michael, or the names of good things and events, like Dinner Pail, Pay Day, Christmas, or English translations of tribal names. In general the taking of a new name *signifies that the time spent on the plantation is a new or different life* separate and distinct from that of the tribe.

shoulders. At each tree, he empties the collecting cup and returns it to catch the much smaller quantity of latex which will flow during the remainder of the day and overnight.

When the tapper returns to divisional headquarters, his latex and scrap are weighed and recorded, and, after cleaning his buckets and equipment, his working day is over. He has been on the job from six and one-half to seven and one-half hours—during which, on most days, he has had a two-hour rest period—and his work is finished by about one o'clock in the afternoon. Thereafter, his time is his own.

At the collection station, the latex is strained and stored in a large tank and the ground and tree scrap is washed and piled. Each afternoon, the liquid latex is collected by large tanker trucks, and several times a week ordinary trucks pick up the scrap. At the Harbel factory, which is highly mechanized, powerful centrifuges, especially designed for Firestone, concentrate most of the latex—that is, its water content is reduced by about two-thirds. It is then stored to await shipment in the tanker vessels. The rest of the latex goes to vats where it is coagulated, pressed into sheets, dried, and baled, as is the scrap rubber. The percentage to be shipped as concentrated liquid latex is determined by the main office in Akron in the light of market demand, and in recent years, the demand for latex has been high.

Clearing and planting tasks on the Harbel plantation are assigned to a separate group of Liberian workers, many of whom are skilled or semiskilled tractor and ditching machine operators, or are trained in the delicate work of bud grafting. A special construction gang maintains and improves existing roads and builds new ones. Other workers are employed at the sawmill, and brick and tile factory, which supply the need for construction materials, and at a small workshop which makes latex cups, soap, and rubber sandals. Another group is continuously engaged in erecting brick-walled and tile-roofed family houses, which are replacing the native-type thatched huts originally provided by Firestone to house its Liberian employees.

The resident head of Firestone's operations in Liberia now is Ross E. Wilson, who holds the position of vice-president of the Firestone Plantations Company and general manager of the plantations and subsidiary activities. An electrical engineer by training, he was sent by Firestone to Liberia as a young man in 1926, and has worked his way up in the Company to his present position. Senior officials reporting directly to the general manager are the managers of the Plantations, Production, Research, Industrial Services, and Supply Departments, and the Comptroller.

The Plantations Department is responsible for all agricultural operations, except research, on both plantations. In addition to the production of rubber, it operates a poultry farm and a 1,[illegible]00-acre oil palm project to help meet employees' food needs; and it provides technical and financial assistance to independent Liberian rubber planters. The superintendents of the rubber producing divisions on the Harbel plantation report to the Department's manager through three group inspectors; the divisions at Cavalla also report to him through the manager of the Cavalla plantation.

The Production Department's main functions are to operate the latex processing factory, the sawmill and brick and tile plants, and Firestone's electric power, telephone, radio, and motor transport systems; and to provide engineering and maintenance services for all installations, facilities, and equipment.

The Research Department has a botanical division responsible for developing stronger, higher yielding, and more disease-resistant rubber trees and improving methods of planting, cultivating, and tapping. This continuing effort has developed trees yielding 2,000 pounds per acre under actual field conditions. In addition, it has extensive research programs in other biological fields, many of them of great importance to the Liberian people. A chemical division makes continuous tests for control purposes of the raw and concentrated latex, does basic research on latex structure, and conducts research experiments designed to improve rubber processing, handling, and transportation.

The Industrial Services Department handles all labor-management relations—including wages, hours, working conditions, workers' grievances, labor recruiting, workmen's compensation, pension retirement, food and other subsidies—both for Liberian and foreign employees. In addition, its educational, medical, and recreational divisions provide free service for Liberian and foreign employees and their families on both plantations.

The Supply Department orders, stores, and distributes the wide variety of equipment and supplies needed for the operation and maintenance of the plantations. In addition, it supervises the United States Trading Company, the wholly owned Firestone subsidiary, which does a general importing and wholesaling business in Monrovia and operates retail stores on the plantations.

The general manager reports directly to the president of the Firestone Plantations Company in Akron, Byron H. Larabee, with whom he is in direct radio communication several times daily. Mr. Larabee is assisted by a small staff in Akron—and branch offices in New York

and Baltimore—which handles all purchasing for the plantations and sales of the plantations' products, fixes prices to be paid for Liberian-produced rubber, approves the annual budgets of the departments and postaudits their accounts, and recruits American employees. In general, the Akron office approves all major policy decisions, the most important of which are referred to Harvey S. Firestone, Jr., the chairman of the board of the parent corporation.

One major responsibility of the general manager is to act, in effect, as the plantations' "Minister of External Affairs." As the chief Firestone representative in Liberia, he handles—or delegates to his departmental managers—relationships with top Liberian government officials, with the foreign embassies in Monrovia, and with the heads of the other foreign-owned companies in the country. This important responsibility requires diplomatic skill, flexibility, and resourcefulness. The general manager visits Monrovia at least once a week and talks regularly with the President of Liberia and the American Ambassador both on Firestone business and on a wide variety of other matters on which his personal information and advice is sought.

Despite direct daily radio communication, frequent letters, and periodic visits to Liberia by the president of the Plantations Company, there are many important matters, both of a routine and an emergency nature, on which the resident staff must exercise initiative and judgment. In consequence, considerable decentralization of decision making is necessary, and is encouraged. This arrangement has worked successfully, in part because of Firestone's policy of filling its top positions in Liberia and in Akron with broad-gauge people who, though they possess many specialties, are also able to operate in a wide variety of subject and administrative fields.

Liberian Workers and Community Services

The annual average of total Liberian workers in all categories regularly employed by the Company is approximately 25,000. Of this total, slightly over 3,000 are classified as skilled or semiskilled; the remainder, unskilled. One-third are from the Kpelle tribe, which inhabits a large area of central Liberia on both sides of the main road to Ganta. Nearly 50 percent are from four tribes whose territories bound that of the Kpelle on the north, east, and south. The remainder are from some 15 other tribes living at greater distances from the plantations and in more sparsely inhabited parts of the country.

Labor Recruitment and Working Conditions

In a country like Liberia where the bulk of the population still lives in a largely self-sufficient tribal society, the recruitment of labor cannot be left to the automatic operation of market forces. This was even more true 30 years ago when Firestone first came to Liberia.

The labor recruitment problem faced by Firestone was common during the 19th and early 20th centuries as large-scale mining, plantation, and manufacturing activities were introduced into many underdeveloped countries. There were few incentives to induce people living in self-sufficient village units to leave their homes and seek work at wages. In keeping with the standards of those times, various methods were tried to entice or, more often, to compel the necessary numbers of workers to leave their ancestral homes and occupations. These ranged from such forceful measures as impressment and various forms of debtor servitude to changes in land systems and taxation designed to create a need for earning money to pay rent, interest, or taxes. These devices for ensuring an adequate labor supply caused much hardship and their injustice is still remembered in many Asian, African, and Latin American countries.

From the beginning, the Firestone Company was resolved that it would not obtain its labor through any form of compulsion, direct or indirect, and that the Liberians who worked on its plantations would do so of their own free will and out of a desire to improve their economic and social condition. Harvey S. Firestone, Jr., immediately after the Planting Agreement was ratified, wrote a letter to President King stating the Company's recruitment policy, which read in part:

> Such labor so employed shall be free to bargain for its terms and conditions of employment with the Company and shall be free to sever its employment with the Company at its own will and convenience.
>
> We desire to point out to the Government again that the success of our development in Liberia is largely dependent upon the organization of a permanent and contented labor force. This can only be done through free and unrestricted employment and upon terms and conditions which are agreeable to the laborers themselves.

Such a policy could only be carried out by providing positive and constructive inducements for people to seek work on the plantations. Over the years, Firestone has paid the highest prevailing wage in the country for each category of skilled and unskilled labor. In addition to paying the direct taxes for which its workers are liable while in the

Company's employ, it has provided free and steadily improved housing, health facilities, and educational opportunities; and it has regularly sold food and other household items to its workers at subsidized prices considerably below both the local market and the cost to the Company. Other advantages of working at Firestone have been added in more recent years, such as Company-financed retirement pensions, paid vacations, and service awards.

Another important condition insisted upon from the beginning by Firestone was that it would pay wages in cash directly to each worker. No tribal chieftain, recruiting agent, Liberian government official, or any other person would be permitted to serve as an intermediary in payments owed by the Company to its workers. This unwavering Firestone policy successfully prevented the appearance in Liberia of practices—all too prevalent in many other underdeveloped countries then and subsequently—by which such intermediaries retained for themselves a greater or lesser share of workers' incomes.

However, Firestone soon discovered that, though Liberians might be attracted to work on the plantations, they often could not leave their native villages without the prior permission of their town, clan, or tribal chiefs. The chiefs were reluctant to consent because they did not wish to lose the unpaid labor and other services which each able-bodied male owed by immemorial tribal custom. Thus, Firestone was forced to develop a system of compensating the chiefs for lost labor and services.

At present, each paramount chief receives 15¢ per man per month during the rice-growing season from January through June, and 10¢ per man per month from July through December, or a total of $1.50 per man per year. In 1955, the total of such payments to the chiefs was over $90,000. In addition, a regular scale of nonmonetary gifts from Firestone to the paramount, clan, and occasionally town chiefs has also evolved. This "Paramount Chiefs Assistance Plan," as it is called, was developed with the full knowledge and consent of the Liberian government, and has also been adopted by other foreign companies operating in the country.

In order to apportion the flow of labor from each area to the size of the local population, Firestone uses a system of allotments or quotas which have been accepted by the paramount chiefs and agreed to by the Liberian government. However, some chiefs do not always meet their quotas while others sometimes exceed them. A Firestone recruiting agent makes regular trips through the tribal areas negotiating quotas with and making payments to the chiefs. He arranges for

transportation of the workers—and their families, if they wish—to the plantations at the Company's expense.

Upon arriving at the plantation, the workers proceed to divisions needing labor, where they are registered by the divisional clerk, given medical examinations by the divisional male nurse, and assigned to living quarters. If they have never tapped before, they are given a week's training course under an experienced headman before being issued the necessary equipment and assigned to a regular tapping gang. It usually takes several months before the tapper becomes proficient. However, experience has shown that if the tapper does not learn the fundamentals in five days he is not likely to become proficient.

The basic rate of pay for unskilled labor is 30¢ per day, and each tapper earns an extra 3¢ per day provided he has not missed more than four potential working days during the month. Additional pay averaging 50¢ is provided for weeding tasks on a piece-rate basis. Headmen earn 50¢ to $1.50 per day and overseers 75¢ to $2.50 per day depending on length of service. In addition, both headmen and overseers receive the same "turnout bonus" of 10 percent as do the tappers. They also are given a "tapping bonus" of from $2 to $4 per month based upon the divisional superintendent's inspection of the condition of randomly selected trees in their areas. Finally, headmen and overseers may be given an extra bonus of from 10¢ to 20¢ per day based on the divisional superintendent's appraisal of the general quality of their work performance.

Skilled and semiskilled workers—called "classified employees"—serve in a wide variety of occupations. These include: factory machine operators and maintenance and repair men, carpenters, painters, masons, electricians, draftsmen, auto mechanics, chauffeurs and truck drivers, janitors, seamen of various types, and such office personnel as typists, bookkeepers, and accounts clerks, office machine operators, shipping and file clerks, secretarial employees, and messengers. Their pay scales are similarly varied and usually have minimum entrance and maximum rates for each category. These range from 35¢ to $2.00 per day for the more common skills to $1.50 to $4.50 per day for the rarer skills and for supervisory personnel. Some employees receive monthly salaries in excess of $200. In general, the range of per diem rates is higher for office employees and skilled mechanics than for drivers, janitors, and seamen.

Classified employees work a 48-hour week with time and a half paid for overtime. Virtually all classified workers are initially re-

cruited from among the unskilled field hands and are trained by Firestone for their jobs. A small number have previously worked at their trades in Monrovia and in other foreign concessions or are ex-Firestone employees who have left skilled plantation jobs for one reason or another and later return to them.

All regular Firestone employees are covered by workmen's compensation which provides scheduled payments for injuries, loss or permanent impairment of parts of the body, and death. Payments under this plan during 1955 totalled approximately $3,500. The small size of this payment in relation to the large number of employees is not the result of any inadequacy in the plan. By and large, plantation work is not dangerous. Most compensated injuries were received in motor vehicle accidents.

All classified employees and divisional headmen and overseers are eligible to participate in the pension retirement system. Tappers and other unskilled field workers are not covered because they never remain long enough on the plantations to reach retirement age. Those who do remain have long since been promoted to supervisory or skilled positions. The entire cost of the retirement plan is borne by the Company. Employees are eligible for retirement after 30 years of service with Firestone or any of its subsidiary companies at 40 percent of their monthly wages at the time of retirement. Retirement may be granted after 25 years of service upon Company approval. At present, there are 14 retired employees living on their Firestone pensions; 75 employees have between 26 and 30 years service; 93 have between 21 and 25 years; and 495 have between 15 and 20 years. Hence, payments under the retirement plan will grow substantially in future years.

Since the start of operations, grievance machinery has been available. Naturally, as the skills and responsibilities of the Liberians have developed, this machinery has been adjusted to meet new situations. In essence, the grievance machinery as it now exists is similar to that developed in the overseas operations of other American companies.

As far as its Liberian labor is concerned, Firestone has persistently faced one basic difficulty which has improved only slowly over the years. This is the problem of labor turnover, greatest among the unskilled workers but by no means negligible among its classified employees. The turnover in field labor is now about 30 percent per year, but was formerly even larger. However, only 20 percent of the unskilled workers newly employed each year have never before worked for Firestone.

The usual practice seems to be for a young man approaching marriageable age to leave his tribal home and work for Firestone—or for one of the other foreign concessions—until he has saved the purchase price of a wife. This usually takes two years. Thereafter, he will return to the Firestone plantations—again usually for two-year periods—whenever he wants to accumulate another relatively sizable amount of cash, generally to buy a second wife, build a house, start a commercial farm, purchase a truck, or acquire some other material benefit for himself and his family.

Only about one-third of the unskilled labor and about two-thirds of the classified employees are permanently settled on the plantations. The remainder work intermittently for Firestone, returning to their tribal homes for greater or lesser periods. This situation reflects the fact that the tribal way of life is still the most congenial for large numbers of the Liberian people. Firestone has been trying to make a more civilized and economically remunerative way of life more attractive to the tribal people. But the pull of the tribal society is still very strong and its essentially noneconomic rewards are still prized more highly than are better food, housing, and consumers' goods and greater opportunities for personal advancement.

Only the slow processes of fundamental social and economic change in the country will eventually bring about that basic shift in values which will make the tribal people prefer the benefits of civilized living to the traditional tribal society. Until then, Firestone will continue to struggle with the problem of a high labor turnover which, however, it can steadily mitigate through the constructive efforts it has been making.

Housing and Food Subsidies

All workers on the plantations are entitled to free housing. Each of the field divisions contains one or more villages in which the tappers and other divisional employees live. There are dormitory-type houses for single men and multiple-family houses for those workers who have brought their wives and children with them. Firestone tried single-family houses in the field division villages but found that the relatively unassimilated tribal people had a strong preference for dwellings in which several families had suites of rooms under the same roof. On the older divisions, the houses are similar in construction and appearance to the native adobe and thatched-roof hut, except that they are invariably whitewashed and in good repair. On the newer divisions,

houses of brick with tile or corrugated roofs are more common. Throughout the plantations, Firestone has been gradually replacing the native-type hut with these more substantially constructed homes.

The classified workers live in several larger villages located near the factory, the administration building, the maintenance shops, and central motor pool. In these villages, where the inhabitants are culturally much further removed from the tribal society, single-family houses are more often preferred, although there are also some multiple-family houses. These homes are all of brick and tile construction. Recently, Firestone discovered that there is a strong preference—both for prestige and aesthetic reasons—for living in houses where the roofing tiles have been laid in over-all multicolored geometric designs, and the newest houses are of this type.

Many villages have piped running water from the central, purified water-supply system. Villages too remote to be connected to the central system have wells of their own, which are regularly inspected and tested. In the field villages, there is a single water tap shared by several houses, which also have a common latrine located some distance away. In the villages for classified labor, most homes have their own running water supply and outside latrine, and many have been electrified.

Each division has a resident full-time sanitarian who regularly inspects the villages. Minor house repairs, and inside and outside cleanliness are the responsibility of the occupants. Major house and street repairs, as well as new building, are now undertaken by the regular construction gangs.

Those who wish may cultivate small garden plots surrounding the village or on divisional land unsuitable for rubber. The raising of fruits, vegetables, and flowers is encouraged, and every village has its banana, oil palm, and papaya trees. Coconut and mango trees are also frequently found on the plantations. Rice cultivation, however, is discouraged, owing to shortage of land and to the heavy labor requirement which would increase absenteeism.

Virtually all Firestone workers avail themselves of the free housing privilege, although an infinitesimal number prefers to live off the plantation in nearby villages. These usually are Americo-Liberians or enterprising ex-tribesmen who conduct some sort of business on the side.

A variety of basic foodstuffs and household goods are sold to all Firestone workers at subsidized prices. Some of these items and their prices are shown in the following table:

	Subsidized Price	*Local Retail Price*
Rice (per lb.)	$ .025	$ .085
Palm Oil (per lb.)	.05	.10
Salt, trade (per lb.)	.11	.17
Beef with Tripe in Gravy (can)	.25	.38
Tobacco (per lb.)	.12	.15
Soap (per cake)	.09	.12
Matches (per pkg.)	.08	.13
Blankets	.70	2.25
Towels, white	.20	.23
Singlets	.20	.40
T-Shirts	.30	.40
Shoes, canvas (per pr.)	1.00	2.40

The quantities of rice which may be purchased at the subsidized price are limited in order to discourage resale on or off the plantations. A single tapper may purchase up to eight pounds a week at the subsidized price; those with families may buy an additional four pounds a week and a bonus of another four pounds a week for having worked during the preceding six days. Quantities in excess of these amounts may be purchased, but at the local retail price. Headmen, overseers, and classified employees are allowed 16 pounds a week plus the same family allowances and turnout bonus. Other food items regularly supplied by Firestone are palm oil and salted, smoked, or canned fish, depending on availability. Each employee receives four pounds of oil a week.

There are three main reasons why Firestone is engaged in subsidized distribution to its employees. This practice serves as an inducement to Liberians to work on the plantations. It is also an incentive to reduce absenteeism, as bonuses are given for regular turnout for work. Finally, and most important, it ensures an adequate supply of food and household goods on the plantations at all times. The plantation populations are so large that they cannot be supplied from local produce or even from more distant parts of Liberia. Nor would a separate distribution system—whether owned by Liberians or by other foreigners—be able to import the needed products at prices that all Firestone workers could afford. In order to make certain that there will always be an adequate and cheap supply of food and household necessities at stable prices, Firestone prefers to do its own purchasing and to sell at subsidized prices, even though these are substantially below cost. For ex-

ample, the rice that Firestone sells at 2.5¢ a pound costs the Company nearly 8.5¢ to import.

These foodstuffs and household goods are distributed by Firestone through retail stores located on each field division. In addition, there is a large retail store operated by the United States Trading Company (USTC) near the central administration buildings. This stocks a wide variety of nonsubsidized items as well, and is patronized both by Liberian workers and by American and European employees. In addition, many workers—or their wives—display a small stock of foodstuffs, household goods, or native handicrafts outside their homes, and there is a large native market held each day next to the main USTC store.

The Liberians are a gregarious people and there is much visiting from village to village on the plantations and in the nearby towns. Many enterprising Liberians own small trucks which they have adapted to passenger carrying and which they operate day and night over the plantation roads. Traveling facilities on the plantation and to the nearby towns and Monrovia, therefore, are readily available at all times and traveling is quite inexpensive.

Health, Education, and Recreation

Firestone provides free to all its Liberian employees a more complete health and medical service than most Americans can afford to buy for themselves in the United States. Each plantation has a completely equipped hospital with separate wards for men, women, and children, and for surgical, infectious, maternity, and convalescent cases. The largest hospital is on the Harbel plantation. It can care for 128 in-patients and is now being expanded to care for 150 in-patients by the addition of a new two-story modern building. The 14 in-patient spaces now available for the American and European staff will be expanded to 21 when the new building is completed.

The medical staff consists of the American director of the medical Division and nine other American and European doctors; two American nurses, an American laboratory technician, an American administrator, and an American sanitarian. They are assisted by a large number of Liberian nurses, laboratory technicians, dressers, orderlies, and clerical and housekeeping personnel.

Each of the field divisions has a health center staffed by a full-time male nurse or a dresser. These are all Liberians who, if they have had no previous schooling, are given a general education through the eighth grade in a Firestone school, followed by special training in nurs-

ing and laboratory techniques. They also receive additional medical training throughout their period of service through regular lectures, refresher courses, and continuous correspondence courses supervised by the hospital staff. Adjoining the hospital at Harbel, there is a training school for male and female nurses which provides a full three-year nursing course.

The divisional health centers are open daily for treatment by the resident nurse or dresser, and are visited every third day by a hospital doctor for scheduled consultation and treatment hours. Each day, the resident nurses or dressers determine which patients will be sent to the hospital, held for the doctor's next scheduled visit, or treated by the nurse or dresser himself. Regular daily transportation is provided between the divisional health centers and the hospital. Emergency ambulance service is available on call to the health centers at all times of the day or night.

The classified employees and the foreign staff are served by a fully equipped clinic located near the main USTC store. This is open daily, has a full-time doctor, as well as Liberian nurses and laboratory technicians, and can treat all cases that do not require hospitalization.

In 1955, the Harbel plantation's divisional health centers and the clinic and hospital handled more than half a million visits by patients, of which about 20 percent required examination or treatment by the staff doctors. About 38 percent of all patients referred to the hospital for diagnosis or treatment required hospitalization as in-patients. Increasing knowledge and improvements in treatment have reduced the average number of days in the hospital per patient from 17 in 1948 to nine in 1955.

Some 40 percent of all Liberians newly arriving on the plantations are suffering from schistosomiasis, filariasis, and related parasitic diseases, and treatment of these infections is a major concern of the medical staff. Other prevalent diseases are malaria, trypanosomiasis (sleeping sickness), yaws, venereal infections, and tuberculosis. Firestone doctors have discovered that the chronic Liberian protein deficiency is a major cause of susceptibility to these diseases and special protein-rich diets are provided for such patients. A desire to reduce the incidence of these diseases is another reason why Firestone tries to improve the protein content of the workers' ordinary diets through its subsidized food distribution program.

Although, in theory, free medical and hospital services are available only to Firestone employees and their families, it is estimated that nearly 25 percent of all patients seen are not employed by the Com-

pany or any of its subsidiaries. Often these are former employees and members of their families, or friends and distant relatives of present employees. Many others are residents of the nearby towns and villages who have never had any connection with the plantations. In some cases, they are sick people who have come from the most distant parts of Liberia in hope that modern medicine can cure some disorder that has proved intractable to the efforts of the local bush doctor.

Despite the large number of visits in proportion to the population of the plantations, not all or even most sick employees avail themselves of these free medical services. The influence of tribal customs and of the native bush doctors is still very strong, particularly among workers who have not been on the plantations long, and most minor disorders are treated in this way. In general, only the most serious and obstinate cases are brought to the divisional health centers, and this accounts for the apparent rather high incidence of hospitalization. The preference for tribal medical customs is especially strong in maternity cases, and it is estimated that only about one-third of all births on the plantations have been handled through the Firestone medical service. However, the medical staff has been making special efforts to increase the number of maternity cases receiving medical care and the total has been growing rapidly in recent years.

One factor responsible for this recent rapid increase of maternity cases handled in the hospitals offers an interesting sidelight on the need for flexibility in adjusting to local customs when operating businesses abroad. The husband is now permitted to be present during the delivery. In accordance with modern medical practice, this was strictly forbidden in the past. However, a survey conducted by the medical staff showed that, though wives often wished to have their babies delivered at the hospital, they were forbidden to go by their husbands. According to tribal belief and custom, the wife was thought always to cry for help to the child's actual father during the pangs of birth, and if the name she uttered was different from that of the husband the latter could collect a substantial fine from the former. As soon as husbands were permitted in the delivery room, the number of wives allowed to come to the hospital increased significantly.

The educational opportunities which Firestone provides free to all of its Liberian employees and their families are as extensive as the medical services. On the Harbel plantation, there are 15 school buildings conveniently located to serve the field divisions and the number is being increased each year. At present, 31 Liberian teachers trained by Firestone serve these schools. Two types of classes are taught in

these divisional school buildings. In the mornings, a regular elementary school (first through eighth grades) is held for children. In the afternoons and early evenings, a basic literacy course (reading, writing, and arithmetic) is offered for all adult employees.

The elementary school curriculum is identical with that used in the Liberian government's public elementary schools, and the government selects the teachers for the Firestone schools. The Firestone schools are inspected monthly by a supervisory official from the Department of Public Instruction. All school expenses, including teachers' salaries and the cost of textbooks and educational materials are borne by Firestone; the Liberian government makes no direct expenditures of its own in connection with this program.

Teaching of American and European children in the same schools and classes as the Liberian children is impracticable, owing to the language barrier and to the very large differences in the children's ages, curricula, and cultural backgrounds. For example, the average age in the first grade of the Liberian schools is 14, as compared with six in the American and European school. For this reason alone, the classes could not be integrated. A school building is provided for educating the children of the American and European staff. Instruction is in English, the American curriculum is used, and the Company pays all expenses. American and European employees may send their children to these schools through the eighth grade, but the Company will not provide high school education. The main reason is that there are so few children beyond the eighth grade that a satisfactory school environment for early adolescents does not exist. Hence, parents must send their older children to secondary schools in Europe or the United States. However, the Company does pay the transportation costs to and from Liberia of children attending schools in the United States and Europe if their parents are in Liberia during summer vacations. A nursery school and kindergarten are operated voluntarily by the American and European mothers with preschool children on facilities made available by the Company.

The adult literacy program for Liberian employees, their wives, and grown children is also completely supported by Firestone. Instruction is first given in reading and writing the tribal language. For this purpose, the Firestone educational staff uses the Laubach system of alphabets for all native languages (except Vai, which already had its own developed by early missionaries), and has had to prepare suitable written materials. Once the tribal language has been mastered, optional instruction in English is available.

Just as in the case of medical services, full use is not made by the Liberian employees of these educational opportunities. The highest percentage of children and adults attending school is among the classified employees and the overseers and headmen, who usually have lived longest on the plantations. In contrast, not more than 10 percent of tappers' children are sent to school, and the percentage of tappers taking literacy courses is even smaller. The difficulty is not lack of time but lack of interest. It takes several years of contact with their more integrated compatriots before people from tribal areas begin to appreciate the value of education for their children, and even longer for themselves. At present, the total number of children regularly attending elementary schools on the two plantations is about 2,200 and the adult literacy courses have over 300 students.

Near the factory and central administration building at Harbel, where the largest concentration of classified workers live, Firestone has another large school building in which a variety of educational programs are conducted. In addition to providing facilities for children's elementary and adult literacy education for these classified employees, this central school also offers a complete elementary course for adults and a special clerical training course. In the latter, a selected group of promising young employees (male and female) is given full-time clerical training over a period of 13 to 16 months, during which they receive pay and maintenance.

Vocational training in the mechanical, electrical, and construction trades is provided free by Firestone both in the form of on-the-job training on the plantations and through a special scholarship program at more advanced institutions in Liberia and in the United States. All Liberian employees and their sons are eligible to compete for these scholarships. A prerequisite for receiving these scholarships is satisfactory completion of the vocational training provided on the plantations, as well as an elementary school education in English. Those selected are then sent to more advanced vocational schools in Liberia, particularly to the Booker Washington Institute at the nearby town of Kakata, which is the only vocational high school in the country. This is followed by two years at Cuttington College, which is financed and administered by the American Episcopal Church. This is one of the two institutions of higher learning in Liberia (the other being the University of Liberia in Monrovia) which provides a general college education combined with specialized training in religion, the applied sciences, and the various forms of engineering.

After graduation from Cuttington College, the best of the Firestone scholarship students may be sent to educational institutions in the United States for one or two years of further training in their specialties. None of the scholarship students is under obligation to work for Firestone when training is completed, though many do avail themselves of Firestone's standing offer of employment. However, those sent to study in the United States must pledge themselves to return to Liberia after their education is finished. This is to ensure that Firestone's investment in their training will benefit Liberia as a whole rather than merely the individuals concerned.

Between 20 and 25 of the Firestone scholarships are in effect at one time. They are not limited to this number primarily for financial reasons, but because of the lack of interested and qualified applicants and insufficient facilities for more advanced training off the plantations.

The manager of the Education Division, the teacher of the special clerical training course, and the teachers at the school for American and European children are Americans. All other supervisory and teaching personnel are Liberians, including the full-time principal who heads the elementary school system.

Firestone pays Liberian teachers in accordance with the salary schedules established by the Liberian government The basic salary for elementary school teachers is $30 per month. However, in Firestone schools, salaries range from this minimum to approximately $100 a month plus free housing and medical care, subsidized food and household goods, paid vacations, and free transportation to and from their homes at vacation time. In contrast, the teachers in the Liberian public education system do not receive any additional benefits. Consequently, Firestone's teaching staff has tended to be permanent and only two teachers have left in the past five years, both to take important government positions.

All of the personnel of the Recreation Division, including its head, is Liberian. Firestone has built a number of clubhouses on the plantations which are managed by the employees themselves. These are used for dinners, dances, and other social events, musical and dramatic entertainments, and for the showing of sound movies provided by the Company. In addition, the Recreation Division has several trucks equipped to show sound movies to outdoor audiences. These travel among the plantation villages on a regular nightly schedule. American "Westerns" are the most popular films. Troupes of tribal dancers and drummers are engaged by Firestone and sent on tour of the plan-

tation villages. Various kinds of sports facilities and equipment are also provided by the Recreation Division, the favorite sport being soccer.

Firestone's aim is to stimulate the Liberians eventually to organize and manage their own recreational activities, with the Company providing facilities, suggestions, and financial assistance. In the main, this objective has been attained as far as the classified employees are concerned. But the field division personnel is by and large still too close to the tribal society to show much initiative in this respect. Aside from their liking for American movies, the tappers still prefer to spend their evenings beating intricate rhythms on their drums as their ancestors have done since time out of mind. Hence, as evening falls and often until well after midnight, the throbbing of the drums and the accompanying chants of the people can be heard night after night no matter where one may be on the plantations.

A word may be said here about the religious situation on the plantations. About five percent of the Liberian employees are practicing Christians of various denominations, and a similar number could be considered nominal Christians. Most are classified employees. The overwhelming majority of the tappers still follow their animistic tribal beliefs and rituals. There is, however, a small, but fanatical and actively proselytizing group of Moslems among them, mainly members of the Mandingo tribe.

For its Liberian employees, Firestone has built two churches and is now constructing another. Several Christian services and Sunday schools for children are held each Sunday at the churches and at Liberian clubhouses and schools. These services and a number of weekly Bible classes are conducted by the Reverend Samuel R. Smith (formerly a Methodist educational missionary in Liberia and now the secular head of Firestone's Education Division), by Liberian ministers from nearby towns, and by lay members of the congregations. The Reverend Smith also conducts a nondenominational service and children's Sunday school on Sunday mornings and religious holidays for the American and European staff.

The American and European Staff

One hundred and sixty-seven American and European employees of Firestone are presently in Liberia. Adding those on leave and unfilled vacancies, the total American and European staff would be 180. Of those now on duty, 115 are American, 23 are Dutch, 21 are Swiss, two are British, and one each is from

Austria, Canada, France, West Germany, Greece and New Zealand. Many employees are accompanied by their families; there are 103 wives and 99 children of all ages. This makes a grand total of 369 American and European men, women, and children living on the two plantations and in Monrovia at the time this study was made.

Not the least of Firestone's achievements in Liberia is the fact that its labor force of over 25,000 can be managed with a foreign executive and technical staff of less than 200—about seven-tenths of one percent of the total. In part, this is made possible by the efficiency of Firestone's operations; in part, by the intelligence and cooperation of the Liberian labor force, particularly the classified employees. Firestone has never employed anything near the limitation of 1,500 white employees set by the Planting Agreement.

Broadly speaking, the American and European employees can be divided into two groups—those with predominantly executive responsibilities and those whose work is mainly scientific or technical. In the first group are the general manager, the heads of the major departments and their chief assistants, and—most numerous—the field division superintendents, called "planters," who have specialized training in forestry and agriculture. The scientific and technical staff includes mechanical, electrical, and radio engineers; chemists and biologists; doctors and nurses; accountants and auditors; motor mechanics and machinists. In all, a wide variety of professions and skills are represented on the plantations.

Recruiting in the United States is done primarily by the head office in Akron. Since World War II, it has been increasingly difficult to find qualified American personnel, particularly in the lower executive and technical grades, owing to full employment in the United States and to the fact that young men desiring overseas work usually can find positions with companies operating in more attractive locations than tropical Liberia. Hence, in recent years, Firestone has turned increasingly toward Western Europe, where recruiting is handled by the numerous branches and subsidiaries of the parent company. Young Dutch and Swiss mechanics, machinists, and distributive personnel for the USTC operation are especially attracted to Liberia because of Firestone's pay scales and the more limited opportunities in their native countries. Firestone has found that employment of these Europeans is especially satisfactory owing to their willingness to settle in Liberia for long periods and the comparative ease with which they adjust to tropical conditions.

The standard Firestone contract is for two years plus three months

of paid home leave at the conclusion of each contract. By mutual consent of the Company and the employee, contracts are renewable for additional two-year periods until the employee reaches the mandatory retirement age of 55. The largest turnover of personnel is at the conclusion of the first contract; the rate decreases with each successive contract renewal. Since home leave comes at the end of each two-year contract, employees tend to measure time on the plantations not by calendar years, but by the number of contracts they have served. Travel expenses of the employee and his family from his home to Liberia and return are paid by the Company, as are the transportation costs of household effects.

The free housing provided for all American and European employees and their families is admirably adapted to ensure comfortable living despite Liberia's heat, high rainfall, and teeming insect life. Over the years, the Company has developed a "Firestone Bungalow," which is raised on pillars about eight to 10 feet above the ground. In this way, the living quarters are high enough to catch the breeze. The ground level provides storage space and play space for the children in wet weather, and, in some cases, finished living quarters for domestic servants—though most prefer to spend the nights in their own houses. Above, there is a convenient arrangement of a large living room, dining room, and two or three bedrooms with modern, fully-equipped bathrooms and kitchen. The ceilings are high and some of the outside wall space is screened and can be closed against rain or wind by louvered windows or French doors. A peaked, overhanging roof shelters the sides of the house from direct sunlight and rain and provides a large insulating air space above the ceilings.

The houses are located in groups of four or five on high sites which provide attractive views and are surrounded by beautifully landscaped and carefully tended grounds. Families have an entire house to themselves; two single men usually share a house, but many of the senior bachelors have houses of their own. Most of the Harbel staff's houses are situated in an area called Harbel Hills, a few miles from the central administration building and factory. Only the divisional superintendents live in relatively isolated locations.

Firestone has built a full-scale, nine-hole golf course and clubhouse in the Harbel Hills area, and another at Cavalla. Overlooking the Harbel golf course is the luxurious Firestone Guest House, where visiting Company officials and distinguished Liberians and foreigners are entertained, and all American and European employees and their families stay for a few days upon arriving and before leaving the

plantations. A second, larger clubhouse for the American and European staff is located elsewhere on the Harbel Plantation. Here, dances, supper parties, and other entertainments are held, sound movies are shown twice a week, and a circulating library is maintained.

Food and household supplies are sold at near cost to the American and European staff, as well as to all Liberian employees, at the main USTC store. For this purpose, USTC imports large quantities of fresh meat, vegetables, fruits, and dairy products, as well as a full stock of staples and canned and frozen goods. Some fresh fruits are purchased locally, and chickens and fresh eggs are provided by the plantation's poultry farm. The only important food item which cannot be imported or produced locally is fresh whole milk. Consumer durable goods and automobiles can also be purchased through the USTC. However, the Company provides all foreign staff members with vehicles as part of their necessary working equipment.

Domestic servants are plentiful and each household usually has at least two to five—cooks, houseboys, laundrymen, children's nurses, and gardeners. These receive their pay and maintenance from their employers, but they and their families are also eligible for Firestone's free housing, medical care, and educational opportunities. Domestic servants are invariably males, as Liberian fathers and husbands do not like their daughters and wives to work for others. Thus, it is a common sight on the plantations to see American and European babies being tenderly cared for by strapping young Liberian men.

Because they reside outside the United States for more than 18 months, American employees do not have to pay the U.S. income tax. The free housing, medical, and other benefits they receive are estimated to equal about 30 percent of their starting salaries. In consequence, most staff members are able to accumulate substantial personal savings during their period of service with Firestone.

Aside from their work performances, the Company watches with care the relations of the American and European staff with the Liberians. Normally, the two groups get on well together. The Liberians are by nature friendly, cheerful, and uncomplicated, and most Americans can and do respond to them with spontaneous liking and directness. The language and cultural differences between the two groups on the plantations are much too great to encourage social relations, except on ceremonial occasions. But the top executives of the American and European staff participate in the very active and elaborate social life of Monrovia, and there is considerable visiting back and forth between the capital city and the Harbel plantation, both for official and for private entertaining.

SUBSIDIARY FIRESTONE ACTIVITIES IN LIBERIA

THE PLANTATIONS COMPANY has been Firestone's main interest in Liberia, and all of its other Liberian activities have been undertaken—sometimes reluctantly—only as adjuncts to the plantation operation. Thus, it is worth noting that as early as 1939 Firestone was offered the opportunity to participate in the development of what later became the Bomi Hills iron ore venture. As a matter of policy, the Company decided to limit itself to rubber production, believing as it did that diversified initiative and development were better for Liberia. Today, only the Plantations Company and two subsidiaries—the United States Trading Company and the United States-Liberia Radio Corporation—are still active, nor would it be possible for the Plantations Company to dispense with their services.

The other operations, undertaken when need for them arose and discontinued as soon as possible, were: the now liquidated Finance Corporation of America which administered the Loan Agreement of 1926; the Bank of Monrovia sold by Firestone in 1955; and the inactive Liberian Construction Company.

Current Activities

The United States Trading Company is a wholly owned Firestone subsidiary which was originally established to handle the purchasing and importing of supplies needed to maintain the foreign and Liberian employees of the Plantations Company. Over the years, its operations have expanded to meet Liberia's need for a large-scale importing, wholesaling, and warehousing agency with sufficient capital to finance the multitude of small processors and retailers. Today, the largest part of USTC's business is done through its offices, showrooms, and repair shops in Monrovia. It holds the Liberian distributorships and maintenance and repair licenses for a large number of American and West European manufacturers of consumer durable goods, light capital equipment, packaged foods, and beverages. It maintains stocks of these and other imports in its warehouses in the Free Port area of Monrovia and sells from them on credit to Liberian and Lebanese distributors and retailers.

In this way, USTC provides an indispensable service to the country as a whole. There is no other importer—native or foreign—now in Liberia who could obtain the economies of large-scale purchasing, could afford to finance so many small retailers, or would be able to service complex modern products. Since USTC follows the

basic Firestone price policy of large volume with low unit profit margins, it passes on the benefits of its efficiency to the Liberian consumer. Thereby, it tends to force the other importing and trading firms, European and Lebanese, to keep their prices competitive with its own.

The United States-Liberia Radio Corporation operates the trans-Atlantic transmitter and receiver located on the main Harbel plantation and the local radio communications of all Firestone subsidiaries in Liberia. It is a licensed public utility handling messages for the Company and the general public.

Past Activities

The origins, operations, and difficulties of the Finance Corporation of America and the pleasure with which Firestone officials, as well as Liberians, saw its termination, have been described in Chapter II. The now inactive Liberian Construction Company was formed after Firestone had undertaken the airfield construction early in World War II. Later, under contract from the Liberian government, it built the section of the Ganta road left unfinished by the U.S. Army at the end of the war. The Company lost money on this contract, but continued to do road construction and maintenance work for the Liberian government until a few years ago. When other private construction companies became interested in bidding for government contracts, Firestone put the Liberian Construction Company on an inactive basis.

For many years, the British Bank of West Africa operated a branch in Monrovia. This was Liberia's only bank of any kind. During the 1920's and early 1930's, this bank became dissatisfied with the financial practices of the Liberian government and finally withdrew when business declined drastically during the depths of the great depression. In the absence of a bank, USTC had to provide banking services for Firestone operations in Liberia. As in the case of USTC's trading activities, its banking functions were gradually expanded to meet the needs of the country as a whole. By 1938, these were separately incorporated as a wholly owned subsidiary called the Bank of Monrovia.

For almost two decades, the Bank of Monrovia has been the official depository of the Liberian government and has provided the country with commercial banking facilities, mortgage credit (under the Liberian government's guarantee), and other banking services. Under Firestone management, it had always been conducted on sound banking principles and was, in consequence, a solvent operation. However, as

a small bank unaffiliated with any large, experienced international banking institution, the Bank of Monrovia was not able to provide all of the commercial banking facilities occasionally required outside the country. This situation was a source of irritation to numerous Liberians. They never understood the limitations of small-scale private banking and criticized the Bank for failing to lend more liberally and at lower interest rates, and to provide the full range of international banking services at a cost comparable to that in more advanced countries.

Sensitive to these criticisms and believing that it did not rightfully belong in the banking business anyway, Firestone, since World War II, had been anxious to divest itself of the Bank of Monrovia. However, it did not want to deprive itself and Liberia of soundly operated banking facilities. In 1946, a plan was developed for the new Liberia Company to take over the banking facilities of the country as part of its ambitious program for Liberian development. However, the untimely death of Edward R. Stettinius, Jr. drastically curtailed the Liberia Company's plans and the sale of the Bank of Monrovia fell through. After discussions in 1948 of a possible purchase of the Bank by the Liberian government, it was determined that a sale to private American banking interests was the best solution. Finally, in September 1955, the Bank was sold to the First National City Bank of New York, by whom it is now operated. As in the case of the Finance Corporation of America, Firestone was not unhappy to terminate an activity which brought it into opposition to the financial practices and expectations of the Liberians.

The End of the Pioneering Stage

Exactly 30 years have now passed since Firestone began the first clearing and planting operations which were eventually to grow into its two modern, efficient plantations. As human time is measured, this is a whole generation—in the case of Firestone in Liberia, the pioneering generation. True, there are men like Ross E. Wilson still with the Company who can remember the original bush out of which the plantations were laboriously carved. But the vast majority of Americans and Europeans now working for Firestone in Liberia may be considered second generation. They have come during and since World War II when the plantations were already going—though still expanding—operations.

The original intention of the founder, Harvey S. Firestone, has been more than justified. Americans have not only shown that they could

grow natural rubber in large quantities, but also proved their capacity to produce it more efficiently and more profitably than anyone else. The general opinion among independent rubber experts is that the Firestone plantations in Liberia are the most efficient rubber producers in the world. This results not only from their economies of scale but also from the initiative and conscientiousness of Firestone's American and European staff and the intelligence and cooperation of its Liberian employees.

The successful management of large numbers of men in a complex and interdependent production operation is in itself no easy task. It is especially difficult when the overwhelming proportion of the workers so organized come from a simple, pre-industrial tribal society with noneconomic values and aspirations, do not speak the language or understand the culture of their supervisors, and do not have compelling incentives to work for wages. This difficulty is further compounded if the environment in which the operation must be carried on lacks all or most of the physical facilities, social institutions, economic practices, and technical skills necessary for the success of a modern business activity subject to the competitive pressures and limitations of a world market.

Physically, the plantations are now well past the pioneering phase. Life at Harbel and Cavalla is as comfortable, healthy, and varied as American good will and ingenuity can make it within the limitations of an underdeveloped tropical country. Indeed, it is neither an exaggeration—nor a derogation of Monrovia and the other foreign concessions—to say that nowhere else in Liberia is the standard of living as high for so large a number of people.

Economically, also, the plantations have passed the pioneering stage. Major expansion of acreage has ceased, at least for the time being; future gains in output will come from the replanting program and the continuous improvement of methods. Permanent and modern power, water, communications, and transportation systems have long since been installed, and a large and highly mechanized latex processing plant is in use. Subsidiary plants make much of the needed building and construction materials. Facilities for maintaining and repairing a wide variety of mechanical, electrical, and electronic equipment are in full operation. A trained clerical staff uses the latest bookkeeping, accounting, and office management techniques.

All of this has been accomplished in what was impenetrable, uninhabited, and disease-ridden jungle, with a labor force that knew nothing but the most primitive hand tools. More important, this

costly and difficult transformation has been achieved with profit to the Company and its employees and without brutality, depersonalization, or loss of essential human and social values on the part of the Americans and Liberians involved.

Some idea of the basic acceptance of life on the plantations by all concerned may be gained from a brief glance at the ease with which law and order are maintained. Over 25,000 people live on only 100,000 acres, and thousands more dwell in the surrounding towns and villages. Most are unused to the restraints of a quasi-urbanized mass society and to the highly interdependent disciplines of modern working methods. Yet crimes of violence are exceedingly rare. Indeed, aside from petty thievery, there is virtually no crime, and even this misdemeanor reflects the rather childlike morality of a primitive tribal society and not economic pressure, social protest, or psychopathic disintegration.

Such enforcement of law and order as is necessary are provided by regular local administrative and judicial machinery of the counties in which the two plantations are situated. There is no special force of armed plantation guards, nor does Firestone employ security personnel of any sort other than night watchmen and gatemen at the plantation entrances. Only for one relatively brief period during the past 30 years have greater security arrangements been used. These difficulties started in 1949, and in their development had far more resemblance to an organized political outbreak than to a strike. Their origin is still not entirely clear. The chief organizer appears to have been a classified employee from the Gold Coast who had close ties with the leaders of groups in the Gold Coast and neighboring West African territories. There seems to have been an agreement among these groups, possibly with the assistance or advice of the international communist movement, that as many outbreaks as possible should take place in Africa during a designated period, coincident with the Korean War.

The outbreak on the Harbel plantation originated with the clerical classified staff. After presenting their demands, these workers did not await the usual orderly grievance procedure, but organized a few strong-arm gangs and forced all members of the classified labor force to walk out and demonstrate violently. This soon resulted in destruction of property. During this period, the Liberian county magistrate charged with preserving order failed to act, and it was only after the destruction of property spread to the burning of rubber trees that the government in Monrovia dispatched a strong detachment of the Frontier Force to Harbel, and also appointed a commission of three

Liberians to supervise the restoration and maintenance of law and order. On their arrival, order was immediately restored, and there has been no recurrence of disorder. Recently, the Frontier Force detachment and the commission have been withdrawn, and the Liberian government has returned to its original law enforcement organization consisting of the resident county magistrate and the local police force.

Two strikes of short duration have also occurred at the Cavalla plantation. These dealt entirely with wage disputes. There were demonstrations, but there was no evidence of outside political origin or organization, and order was quickly restored by the local authorities. However, one of the strikes appears to have had an unusual outside stimulus inasmuch as the local merchants and traders are given credit for suggesting to the plantation employees that they needed more money. It seems that business was bad at the time and naturally Firestone, as the largest single employer, could easily stimulate business by granting a large across-the-board wage increase to its Liberian employees.

In summing up the achievements on the plantations, there is no intention to suggest that Harbel and Cavalla are idyllic tropical paradises either for Liberians or for Americans. They are, after all, only the work of imperfect human beings inevitably—and legitimately—acting from self-interest as well as from humanitarian motives. What is remarkable and deserves full emphasis is Firestone's unusual ability and good fortune in harmonizing so successfully the demands of self-interest with the realization of broader social and human values, despite the disadvantages of a primitive tropical environment.

IV.

Conclusions about the Company and the Country

OVER THE PAST 30 YEARS, Firestone has had an impact on Liberia that extends far beyond the boundaries of the plantations and, in fact, pervades almost every aspect of Liberian life. Part of this impact has been the result of a conscious effort by Firestone. The rest has been the unintentional though inevitable consequence of the presence of the Company in the country, of its attitudes, and of the ways in which it has conducted its business.

In almost every important economic respect, Firestone has occupied a unique position within Liberia.

- It has been and still is the largest employer, the largest taxpayer, and the largest importer and exporter in the country.
- For three decades, it has been the largest trainer of human skills.
- It has been and still is the pace setter for the whole country in determining domestic wage and price levels and labor relations generally; in establishing rising consumption patterns and health and educational standards; in stimulating productive efficiency, research and development, and the spirit of enterprise.
- Finally, it has helped to make possible President Tubman's open door policy for private foreign capital by proving through its own performance that responsible private enterprise could bring great benefits to Liberia.

Firestone's Impact on Liberia

Precise statistics which would illustrate most of the relationships between Firestone and the Liberian economy unfortunately are not available. However, some indication of the magnitudes involved can be given. For example, the total revenue of the Liberian government from all sources in 1955 was approximately $15 million. Of this, the income tax on rubber producers yielded about $5.3 million. Firestone is far and away the largest rubber producer in the country, its output by volume being well over 90 percent of the total.

Assuming that at least 90 percent of the total income tax payment by rubber producers was made by Firestone, its estimated income tax and rent payments in 1955 was $4.8 million. To this must be added $898,000 for customs duties, and $150,000 for taxes paid on behalf of Firestone's Liberian employees and for other taxes. Thus, Firestone's total tax and rent payments to the Liberian government in 1955 were over $5.8 million or nearly 39 percent of the government's total revenues.

The wages paid by Firestone to its Liberian employees in 1955 were approximately $3.5 million. Quite apart from the additional real income made available to its workers in the form of free housing, medical and educational services, and subsidized food and household goods, the direct money payments by Firestone represent a very sizable proportion of the total wage income in the private sector of the Liberian economy. In numbers of men, Firestone employs at least 10 times more than the next largest private employer, the Liberia Mining Company.

As to Liberia's foreign trade, rubber shipments amounted to $33 million, or 77 percent of total exports, in 1955. Assuming again that Firestone's share was 90 percent, its activities contributed over 70 percent by value to Liberia's total exports. The United States Trading Company is responsible for 35 to 40 percent of the total imports into Liberia, and the magnitude would be larger if account were taken of the duty-free imports of equipment and operating supplies brought in by the Firestone Plantations Company for its own use.

Influence on Wages and Prices

Of equal importance with the quantitative is the qualitative contribution which Firestone makes to the Liberian economy. This is illustrated by the care with which Firestone exercises its influence on wage scales and price levels in the country. For example, in 1955, Firestone was considering a raise in its basic wage rate by 20 percent per day. As far as its own operations were concerned, the Company was convinced that this increase was justified both by labor productivity and by a rise in the general cost of living, which affected Firestone workers less than other Liberians because of free housing and subsidized purchases. There was some question, however, whether other employers, particularly the Liberian planters and commercial farmers, could afford to grant a similar raise, and whether the resulting large increase in purchasing power would unduly aggravate the inflationary pressures already existing within the country. After extensive con-

sultations with the Liberian government, Firestone decided in favor of increasing its basic wage rate. The results have been beneficial despite some further upward pressure on prices.

With respect to the level of domestic prices, the Company has also followed with considerable success a policy of actively cooperating with the Liberian government in resisting the inflationary tendencies of recent years. Its principal instrument for this purpose is USTC's extensive importing and wholesaling operation. Not only does USTC determine the retail price level of consumer durable goods and light capital equipment, but it also exercises a major influence on the far more important price of rice, the chief item in the Liberian diet.

Since World War II, the country has not produced enough rice to meet its needs and imported supplies have been essential. Late in 1954, when the rice shortage became acute, retail prices rose as high as 11¢ a pound, thereby threatening a major increase in the cost of living. In consequence, USTC expanded its rice imports sufficiently to make up the country's deficit as well as to supply the needs of Firestone's own employees. During 1955, USTC imported nearly 20 million pounds of rice, which it sold to retailers throughout the country at a price that forced the retail price level down to 8.5¢ a pound, and has since maintained it there. At the same time, Firestone has continued the subsidized price to its own employees of 2.5¢ a pound. The USTC's expanded rice importing program has been continued in 1956 with similar beneficial effects on the cost of living in Liberia.

Influence on Employment Practices

In labor-management relations generally, Firestone has also set the standard for other private employers. The Company's policies with respect to direct cash payment of wages and fringe benefits—free housing; health, educational, and recreational services; subsidized food distribution; grievance machinery; workmen's compensation; pension retirement benefits, etc.—are copied to the best of their abilities by other foreign concessions, particularly the American companies. Private Liberian employers have lagged far behind in these respects. This is caused not only by their limited size and financial means, but also by their lack of recognition of the importance of such labor policies. However, the example of Firestone and the other foreign companies is slowly having its effect, and this process would be accelerated if a continuing shortage of labor should develop in the country.

Firestone is the largest trainer of skilled and semiskilled workers in Liberia. The fact that the Company's activities have spanned an

entire generation means that a large proportion of the country's skilled labor force has at one time or another worked on the plantations or at USTC's repair shops in Monrovia. There, they have learned modern skills ranging from the driving and maintenance of motor vehicles to the operation and repair of complex production machinery and office equipment. Nurses, teachers, typists, clerks, and salesmen have also been trained by Firestone in substantial numbers. In these ways, the Company has created an ever-growing supply of many of the modern skills indispensable to the economic and social progress of Liberia.

Influence on Economic and Social Progress

More complex and more pervasive have been the effects of the Firestone operation on the general character of the Liberian economy. Three decades ago when the Company came to Liberia, a wage and market economy existed only in embryo. Outside of Monrovia—itself merely an overgrown village at that time—and a few other large towns, only an insignificant number of Liberians regularly worked for wages and obtained the bulk of their needs by purchases in the market. Elsewhere in the country, the subsistence tribal economy was supreme, and such production for sale as occurred was for the purposes of exporting and the carrying on of immemorial petty retail trading. Firestone gave the wage and market economy its decisive start and without the Company's continuous stimulus in this direction, Liberia would not have been ready for the substantial economic progress that has occurred since World War II. By then, several thousand tribesmen had become permanent wage earners and tens of thousands more had become habituated to temporary or part-time dependence upon wages by having worked for Firestone for one or more periods of a year or two.

Other important economic consequences inevitably followed from these working experiences. The growth of Monrovia and the towns near the plantations was stimulated. Money was increasingly available in the tribal areas, making possible increased buying and selling and attendant production and employment. Government revenues expanded. By freeing ever growing numbers of people from the unchanging patterns of the tribal economy and by continuously increasing the country's real income, the presence of Firestone has been a major factor in the economic transformation and advancement of Liberia.

The social consequences of this process have been equally important. The penetration of the money economy into the tribal areas; the

movement of large numbers of tribal people to and from their hinterland homes and the Firestone plantations; and the consequent growing familiarity of these tribal people with more civilized ways of life—all have combined to hasten the integration of the two parts of the Liberian population. These developments considerably eased the difficulties of the Liberian government in exercising active administrative control over the tribal areas. They made the tribal people aware of and receptive to the benefits which could be derived from social and political transformations of the tribal society. They also helped to change the traditional attitude of the Americo-Liberians toward the tribal people and made the former less reluctant to treat the latter as full and equal citizens of Liberia. Two decades of the Firestone operation laid the basis for the adoption and carrying out of President Tubman's unification policy after World War II.

These broad and fundamental economic, social, and political consequences of Firestone's presence in Liberia were implicit in the nature of the Company's operations and would have happened whether they were consciously intended or not. But they might have happened in quite different ways had the Company not been generally aware of the consequences of its activities. The loosening of the bonds of static, self-sufficient tribal or agrarian societies and the introduction of a wage and market economy often have been accompanied by severe economic hardships, widespread social brutalities, and general disregard of basic human values. All of this has been avoided in Liberia, whereas other parts of Africa have been experiencing such social maladjustments in greater or lesser degree during the past 50 years.

Company Assistance to Related Liberian Production

In addition, the Company has carried on other activities having the same general purpose which have not been part of its normal plantation and USTC operations. These have also had the effect of easing or hastening the economic and social progress of the country, and have been undertaken by Firestone with the deliberate intention of so doing.

One of these activities is the Liberian rubber growers assistance program. This is designed to help Liberians grow rubber on their own farms, and thereby greatly to increase their own incomes as well as the rubber supply available to the Company. For this purpose, Firestone has developed a special clonal cross-seedling tree which is hardy and high yielding, does not require bud-grafting, and has additional advantages. It competes well with the native bush which is

important because most Liberian farmers do not keep their rubber stands clear of weeds and natural growth until the leaf canopy closes. And it reaches tapping age a year earlier than the more delicate, bud-grafted—though higher-yielding—clone used on the plantations. Any Liberian may obtain these trees free of charge from Firestone. Since 1943, when the program was formally organized, the Company has distributed over 4.5 million of these trees to some 760 odd Liberian farmers. In consequence, there are now more than 46,000 acres of rubber trees in the country owned and operated by Liberians, of which 26,000 acres are of tapping age. Total production by Liberian planters in 1955 was nearly 3,500 tons.

Firestone provides not only free trees but also free technical services. It will survey the planter's farm and draw up a planting program for him. When the trees reach tapping age, the Company will prepare a complete management plan, which includes a detailed map of the tree stands, their division into tasks and the marking of each tree with its task designation, and a tapping schedule best suited to the needs and capabilities of the farm. At the farmer's request, the Company will periodically inspect his rubber trees and advise him on improved care, cultivation, and tapping. It will set up his bookkeeping and records systems and teach him how to keep them current. It will provide free biological services in the event of tree disease, storm damage, or other difficulties. Firestone will sell him at cost and on interest-free credit terms all of the plantation equipment and supplies he needs both initially and subsequently.

Finally, the Company will market his production and will transport it to the Harbel and Cavalla plantations if the farmer has no suitable vehicle of his own. Each month, Firestone fixes a purchase price which is the average of the previous month's selling prices in the New York Rubber Market. From this is deducted any local transportation and factory processing costs incurred in preparing the rubber for shipment, usually averaging about 3¢ a pound. The Company deducts from the net proceeds the income withholding and other taxes owed as a result of each sale by the Liberian farmer, and remits this payment directly to the Liberian government. If the farmer has obtained equipment and supplies on credit, 25 percent of the remainder is also deducted toward repayment of the debt to the Company. The rest of the proceeds of the sale is given in cash to the farmer within an hour after his rubber has been bought. The Company pays such costs as storage, ocean transportation, and marine insurance.

The Liberian rubber farmers have been making sizable and growing incomes as a result of this program. Those who marketed their rubber through Firestone received net payments totaling over $2 million in 1955. The 12 farmers with the largest stands received nearly $1.7 million of the total. The highest receipts from rubber of any Liberian was $198,982. Four others were paid $100,000 or more and two of these received more than $150,000. Forty-four Liberian planters received in excess of $10,000 each during the year.

In most cases, however, rubber growing is a subsidiary activity of the Liberian farmer. Many rubber stands are only an acre or less in size and are worked by the farmer and his family without hired labor, but they provide a welcome cash supplement to the family's subsistence farming. In consequence, Liberians are planting more rubber each year, and the hinterland roads are lined with new rubber farms, most of which have not yet reached tapping age. If this development continues, Liberia will within a few years have as much native-owned rubber acreage as Firestone now cultivates. It is unlikely, however, that the productivity of the Liberian-owned farms will be as high as the Company's. Despite Firestone's free technical assistance, the Liberian farmers produce on the average each year only 300 pounds of rubber per acre while the Company's annual average is over three times as great.

Firestone has actively tried to stimulate Liberian production and productivity in a multitude of other ways. It encourages local farmers to produce vegetables, fruits, poultry, and other foodstuffs for sale on the plantations. It maintains at Harbel, and continually adds to, a large nursery of tropical plants gathered from all over the world. Free seeds, cuttings, and stocks are given to Liberians who wish to grow any of these for food, raw material, ornamental, or other purposes. There are also other research and development programs which benefit Liberia generally.

The first is Firestone's effort to develop a breed of disease-resistant cattle which can feed upon local grasses and other fodder and can be fattened to an economically worthwhile size. For this purpose, the Company's research staff is taking a very different approach from the hitherto unsuccessful experiments of the Liberian government and the U. S. Technical Cooperation Mission. The latter, through cross-breeding, have been attempting to develop a strain which combines the meat-producing qualities of temperate-zone cattle with the disease resistance of the miniature native bush cow. So far, however, the progeny have not been notable meat producers or

particularly healthy. Neither can they thrive on the local pasturage, but require imported feed.

In contrast, Firestone has been working exclusively with West African cattle. Through selective breeding, the Company has developed a herd of about 50 head which can be fattened to double the size of the unimproved native stock and which can subsist on tropical grasses that Firestone has selected after extensive tests. These cattle preserve all the disease-resistant qualities of their indigenous ancestors. Within a few years, Firestone will be able to provide breeding stock and technical assistance to Liberians who can be induced to undertake cattle raising for commercial purposes. The significance of this possibility for a protein-short country is very great

Another research and development program is aimed at increased rice production. Here again, the Company has chosen a line of investigation different from that of the Liberian government and the U. S. Technical Cooperation Mission. The bilateral program is concentrating on the introduction of swamp rice (wet-rice cultivation) which requires large-scale production units using mechanical equipment and modern growing and harvesting techniques. At present, about 1,000 acres of swamplands are being cultivated. But, the program has encountered considerable difficulties owing to shortages of labor, breakdowns of the complex machinery required, and the unfamiliarity of Liberians with the management and work techniques needed for large-scale cultivation. In consequence, the costs of producing swamp rice are very high.

Firestone is improving the type of rice cultivation most familiar to the Liberians themselves, particularly to the tribal people who raise the bulk of this staple crop. The Company has collected samples of upland rice (dry-rice cultivation) from all over the world and has selected rugged, high-yielding strains which can be grown by tribal farmers without any change in their customary methods of small-scale hand cultivation. For the last two years, the Company has been distributing free seeds in a number of tribal areas with results that range from 50 percent to threefold increases in yields. Firestone expects to expand this free service in the future.

Company Contributions to Liberian Welfare

The Company has been equally enterprising in the medical and public health fields. In 1947, Harvey S. Firestone, Jr. made possible a gift of $250,000 to the Liberian government for the construction of a research institute of tropical medicine in honor of his father

A large plot of land near the Harbel plantation was made available by the Liberian government, and modern, fully equipped laboratories, staff quarters, and other necessary buildings were constructed. The Liberian Institute of Tropical Medicine is operated by the American Foundation for Tropical Medicine and is supported by grants and annual gifts from Firestone and other American companies which operate in the country or are interested in tropical medicine for other reasons. Though the Institute concentrates on the diseases of greatest importance to Liberia and West Africa generally—malaria, trypanosomiasis, schistosomiasis, filariasis, yaws, etc.—its work should have worldwide significance.

Both the Company and the Firestone family over the years have made a practice of giving substantial gifts for the support of worthwhile charitable, educational, cultural, and religious activities and institutions in Liberia. Recipients of such donations during the past decade have been the Liberian YMCA, the Boy Scouts of Liberia, the Samuel Grimes Maternity Center, the Antoinette Tubman Child Welfare Center, the Baptist Hospital, the Booker Washington Institute, and others. Firestone has helped these and other Liberian activities and institutions not only through monetary contributions but also by its continuous willingness to provide technical assistance, maintenance and repair work, and operating supplies.

In sum, it is not an exaggeration to say that the coming of Firestone three decades ago was a decisive event in the modern history of Liberia. It was the catalyst that started an accelerating process of economic and social transformation. It was a major factor in hastening other indispensable preconditions for progress—the airfield, the port, the road system, and continuing aid from the U.S. government. It helped to bring about the prerequisites for carrying out President Tubman's unification and open door policies. It has given Liberia an international importance which it otherwise might not have attained.

When Firestone came to Liberia in the mid-1920's neither the country nor the Company had much interest in the long-term economic and social consequences of this event. As far as the Liberians were concerned, they agreed to admit the Company mainly for the presumed political benefits and short-run financial assistance they expected to obtain. But history is ironical, and events often become

significant for reasons quite different than those that their originators intended. Liberia's long-run economic and social benefits from the coming of Firestone have far exceeded any possible immediate political advantages and have profited both the country and the Company in ways unimagined by President King and Harvey S. Firestone in 1926.

The Company's Present and Future Position in Liberia

The paramount fact that must be kept in mind in drawing conclusions about Firestone in Liberia, is the unprecedented magnitude and character of the role which the Company has played in the country. Any organization or individual with the wealth and power entailed by such a position is inevitably exposed to enormous temptations to misuse them, intentionally or unintentionally. And these temptations are all the greater when the other party to the relationship is an economically undeveloped country, a large majority of whose people are still too primitive to play an effective part in the national political life.

Perhaps the greatest praise that Firestone merits is not because of its positive achievements but because of its success in resisting the temptations to misuse its preponderant wealth and power. Certainly until World War II, the Company could have exploited its labor, milked the Liberian consumer, corrupted the Liberian government, and run the political life of the country without encountering much effective resistance either from the Liberians or from the U.S. government. That it never contemplated—much less attempted—any of these things, despite numerous opportunities to do so and the comparative ease with which they could have been accomplished, is a tribute to the integrity, self-control, and common sense of the Company's officials.

To most Liberians, this scrupulousness in not misusing its wealth and power is Firestone's greatest achievement and is the major factor in its general acceptance in the country. The Liberians not only are aware of how vulnerable they have been to possible exploitation, but they have also been hypersensitive to real or imagined threats to their national political and economic independence. This sensitivity is the understandable result both of their unfortunate experience during the century of survival and of their strong nationalistic and racial feelings.

Liberians believe that Firestone has abused its power only during one comparatively brief period of its three decades in the country. This was in the early 1930's when Liberia was embroiled with the

League of Nations over the forced labor issue and the League's plan of assistance. Liberia expected that Firestone would support it strongly and unequivocally. Instead, from the Liberian point of view, the Company played an ambiguous role. It was as determined as the Liberians themselves that the country should not fall under the control of any European power. But, Firestone also actively supported the efforts of the U.S. government to induce Liberia to accept a modified plan of assistance providing for a predominantly American influence in the supervisory arrangements, which the Company believed would be in the long-term interest of the country. Though these events occurred a quarter of a century ago, they are still sufficiently vivid today in the memories of older Liberians to evoke criticism.

The other important Liberian criticism of Firestone cannot be construed as a misuse of its wealth and power, since it involved the exercise of rights and privileges legally granted to the Company by the Liberian government. This criticism is directed to Firestone's financial relationships with Liberia arising from the Loan Agreement of 1926-1952, and the operation of the Bank of Monrovia during the two decades of its ownership by the Company.

The Liberians do not claim that the Finance Corporation of America exceeded its supervisory rights under the Loan Agreement. Rather, their criticism was concerned with the exercise of such rights by foreigners. Hence, the bitterness engendered whenever a dispute arose between the Liberian government and the Finance Corporation over financial policies or practices. More often than not the Liberians got their own way, and many of the fiscal and administrative reforms specified by the Loan Agreement were never put into practice. But the whole relationship was galling to the Liberians and troublesome to the Company—which had been reluctant from the beginning to finance the direct loan.

Liberian criticism of Firestone's operation of the Bank of Monrovia has been less severe and less widespread than in the case of the Loan Agreement. To agricultural people at every stage of economic development, the ideal credit institution is one which lends money on little or no security at low rates of interest and with liberal terms of repayment. These expectations are natural and exist today among American as well as Liberian farmers, small tradesmen, and artisans. They can only be met—if at all—by a government-financed lending institution. A small, privately-owned bank—which was not even a subsidiary of a large experienced banking institution—had to be conducted on quite different lines if it were to remain solvent. No doubt the Bank of

Monrovia might have lent more liberally and at less cost to the borrowers. But it could never have done so on a scale that would have satisfied Liberian expectations and still continued in business. In the future, the Bank of Monrovia should be able to provide greater services at a somewhat lower cost owing to the large-scale banking resources and the worldwide banking connections of its new owner, the First National City Bank of New York.

Happily, these two sources of friction between Firestone and Liberia are now things of the past. But Liberian memories are long where grievances are concerned, and it will be many years before the humiliating restrictions of the Loan Agreement and the strict credit policies of the Bank of Monrovia are finally forgotten.

Other Liberian criticisms of the Firestone operation are of very minor importance. Today, three specific adverse comments about Firestone are occasionally heard in Liberia. These relate to the absence of Liberians in executive positions with the Company, to Firestone's wage rates, and to the rubber purchasing arrangements with Liberian farmers.

At present, only three Liberians occupy positions in the Company that have substantial executive or administrative importance, and they are paid on the same scale as the American and European staff. One is manager of the Mt. Barclay Plantation, which Firestone has continued to operate; another manages the recreation program; and the third is the principal of the Liberian elementary schools on the plantations. Firestone is not opposed to having many more Liberians in executive positions, but it claims that it has not yet found other Liberians who possess the interest, training, and experience required to perform successfully in such jobs. The Liberians respond that if none of their countrymen has the necessary qualifications, then Firestone should train them. There is a good deal of merit to the arguments on both sides. Firestone is no doubt correct that there are few, if any, Liberians already possessed of the requisite qualifications. But there is also a good deal of justice to the Liberian claim that the only way they would have an opportunity to acquire the necessary training and experience would be in the Firestone organization itself. Liberians point to the fact that the Firestone Tire and Rubber Company has an executive development program and they urge the Firestone Plantations Company to adopt one too, specifically designed for the needs and potentialities of its Liberian employees.

The criticism of Firestone's wage scales does not come from the Company's Liberian employees or officials of the Liberian government.

Nor, in fact, is this criticism heard very often except from Liberian or foreign intellectuals who think in terms of a comparison with wage rates in the United States, Western Europe, and more economically advanced parts of Africa. Certainly, there is a vast disparity between the wages the Firestone Plantations Company pays its Liberian employees and those the Firestone Tire and Rubber Company pays for analogous types and grades of labor in its American and European factories. But there is a correspondingly great difference between the productivity and living costs of American and European workers and those of their Liberian counterparts. It is also true that wage rates in the Gold Coast and Nigeria are considerably higher than in Liberia. But here, again, these two West African countries are much further advanced economically and socially than Liberia, and consequently their productivity and living standards are higher. Wage rates in Liberia compare favorably with those in other parts of West Africa that are closer to its level of development and economic structure. Within the country, Firestone's pay scales set the standard, and are considerably higher than those paid either by the Liberian government or by Liberian and European employers. The other American companies try to equal Firestone's wage scales and the Liberia Mining Company pays somewhat more than Firestone for special types of skilled and semiskilled labor in which shortages exist or threaten.

In a country like Liberia, where competition already exists for the available labor supply, wage rates tend to move steadily upward. It is important, however, that the rate of increase of wages does not too greatly exceed the rate of growth of productivity or the capacity of the country to produce and import consumption goods. If it does, the resulting inflationary pressures could do far greater harm to Liberia's economic and social prospects than would be warranted by the real benefits which Liberian workers could obtain from rapid increases in their money wages. Nonetheless, there are great discrepancies in real incomes in Liberia today and some further moderate rise in wages might be justified, particularly if living costs continue to increase. But this possibility would have greater relevance for those Liberian wage earners who do not work for Firestone, since the Company already pays higher wages than the vast majority of other employers and its workers also receive substantial nonmonetary benefits.

The third, and last, specific Liberian criticism of Firestone's current operations relates to the Company's method of computing the purchase price of the rubber it buys from Liberian growers. By basing the purchasing price on the average of the selling prices in the New

York Rubber Market during the preceding month. Firestone obtains a "windfall" in a period of rising rubber prices, but has to absorb the loss during a period of falling prices. The Company claims that over the long term its profits and losses are equalized as rubber prices fluctuate, and that it knows of no more efficient or equitable method of computing a purchasing price. Recently, a German rubber buying firm has become active in the country and the Liberian farmers have an alternative outlet for their rubber if they become too dissatisfied with Firestone's policy. However, the fact that so few have availed themselves of this alternative suggests the conclusion that their complaints are more expressive of the natural grumbling over prices of farmers everywhere than of specific dissatisfaction with Firestone's purchasing arrangements.

None of these three Liberian criticisms in any sense constitutes "an issue" between the Company and the country. Apparently no Liberian feels strongly enough about them to make any effort, individually or collectively, to induce the Company to change its present practices. Nor are visitors to the country buttonholed by Liberians who feel aggrieved on such subjects. These criticisms are generally expressed only in response to such questions as: "In what ways do you think Firestone could do more for Liberia than it is now doing?" Thus, these adverse comments cannot be considered evidence of deep dissatisfaction on the part of the Liberians with Firestone's current operations.

On the positive side, there are few Liberians who will not admit the benefits which their country has derived from the work of Firestone. Those with experience in government or business understand the limitations of a private, foreign-owned Company and recognize the difficulties Firestone has had to overcome in making its contribution to Liberia's economic and social progress. Considering the scale of Firestone's operations and the manifold ways in which they affect almost every aspect of Liberian life today, the extent to which the Company has won and retains the good will of the country may well be without precedent in the foreign activities of American business firms.

While most Liberians will unhesitatingly pay tribute to Firestone's work, it must not be imagined that they are all enthusiastic Firestone admirers. Liberians are a proud people and it is only to be expected that their feelings—as distinct from their conscious thoughts—on this subject are somewhat ambivalent. In most of them, there is an admixture of resentment at the fact that a private foreign company has

succeeded in accomplishing things that Liberia would not have been able to do for itself. This feeling may be sensed particularly among educated articulate Liberians. It usually is betrayed in their reluctance to dwell on Firestone's achievements in conversations with foreigners and their eagerness to talk instead about their own recently completed development projects and their ambitious plans for the future. The Company is aware of this understandable Liberian attitude, and it wisely refrains from calling attention to its own work. Indeed, Firestone officials are as eager as the Liberians themselves to talk about the country's present programs and future prospects.

This interest of top Firestone officials in the future of Liberia is another important reason for the country's good will toward the Company, particularly within the Liberian government. Naturally, the Company knows that continued Liberian progress is essential to its own well-being. Firestone officials are not uncritically committed to support of Liberia, but there is apparently sufficient sincerity and good faith in their feelings about the country to have earned a very substantial measure of trust by the Liberian government. This accounts for the unusual extent to which the Liberian government seeks and accepts the advice of Firestone officials on a wide variety of problems that are of little or no direct concern to the Company's own operations.

As to the future, the Company has now passed beyond the pioneering stage not only with respect to its own operations but also with respect to its position within the country. The growth and diversification of the Liberian economy over the coming years will inevitably diminish the relative quantitative importance of Firestone as producer, employer, taxpayer, and foreign trader. For the same reason, Firestone's qualitative influences on Liberia will be increasingly rivaled and eventually overshadowed by similar stimuli generated by other agencies and factors in the economy. These relative changes in Firestone's position are bound to have beneficial effects for the country and the Company, and should lessen still further the remaining possibilities of friction.

Assuming that natural rubber continues to be a worthwhile commodity to produce, the future profitability and security of Firestone's Liberian investment seem reasonably well assured. The Company possesses the requisite initiative, skill, and experience to develop and put into effect possible improvements in production and productivity. Major sources of friction, now well in the past, will in time be forgotten. Some problems still remain, and new ones inevitably will arise.

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But these are not likely to be basic disagreements or irreconcilable issues unless there should be radical changes either in the management and policies of the Company or in the leadership and philosophy of the Liberian government. Neither of these possibilities seems very probable today.

Of the problems likely to face the Company in the next few years, several appear to be of possible importance. One is the increasing tightness of the labor supply. As yet, there is no general shortage of labor in the country and in favorable circumstances none need arise in the foreseeable future. But enough localized labor shortages have appeared in recent years to warrant concern that the problem may become general unless preventive actions are taken. These, however, are the responsibility of the Liberian government and not of Firestone.

Another possible future problem is within Firestone's own sphere of action. That is the increase in the number of Liberians serving in executive and administrative positions with the Company. But Firestone may of its own accord soon conclude that the time has arrived to undertake an active program for developing Liberian executive personnel. The reasonable attitude of the Liberian government and the practical common sense and broader humanitarian interests of the Company provide confidence that, should such problems become serious enough to require action, they will be solved in a mutually satisfactory manner.

Other possible problems may be discerned more distantly on the horizon. Some day, for example, Liberia's workers will be ready economically, socially, and psychologically to create and maintain a genuine trade union movement. When they are, there seems every reason to believe that Firestone and the other American companies will adapt themselves to it in as constructive a manner as possible. Firestone's collective bargaining record is good in the United States, as well as in other countries that have responsible trade unions, and it is likely to meet a similar type of trade union movement in Liberia in the same spirit.

The Outlook for Accelerated Liberian Progress

In the long run, Firestone's future in Liberia is bound up with that of the country itself. There is good reason to believe that Liberia can continue—and even accelerate—the economic, social, and political progress of the last decade. Economically, this depends largely upon preventing or overcoming four types of shortages—

of labor, of capital, of governmental revenues, and of what might be called the spirit of enterprise.

The prevention of a possible labor shortage that could seriously limit the economic development of the country depends primarily upon the ability of the subsistence tribal economy to release workers for more productive, modern types of employment. In turn, this depends upon increasing the efficiency of food production—principally rice—in the tribal areas so that much larger quantities can be raised with far fewer workers. Both the Liberian government and Firestone have been actively working on programs which would assist in accomplishing this objective. But a much more intensive and comprehensive attack on this problem is required before there would be a reasonable assurance that Liberia's food and labor supplies would be sufficient for its future needs. Continued food imports and greatly expanded immigration of workers from other areas in West Africa and from the British West Indies can also help, but they cannot provide the whole, or even a large part, of the answer to this problem.

Liberia's development capital comes from U.S. government loans and grants, from private foreign investment, and from Liberia's own savings. The first source will certainly continue and could well be expanded in the light of Liberia's needs and of its importance to the United States. New private investment by foreigners depends essentially upon continuance of the open door policy, which has been so notably successful during the past decade in stimulating this source of development capital and technical knowledge. There does not seem to be any serious determination on the part of any political faction to rescind the Tubman open door policy. Though Tubman's opponents may make highly chauvinistic statements against the foreign companies at election times, the minority political groups are likely to continue the essentials of the open door policy—though perhaps under another name—should they ever achieve political power in the country.

The third source of development capital—Liberian savings—must be the country's major reliance in the long run. To date, the largest portion of the investment that has occurred within the country from Liberian resources has had to be channeled through the government budget in the form of taxes. This situation will undoubtedly continue for a considerable period. Essentially, it reflects the limited saving ability of a low-income economy, the preference for foreign investments by wealthier Liberians, and the fact that basic transportation, power, water, and other facilities can only be financed with government funds. It is important, therefore, that the revenues of the Libe-

rian government be steadily expanded. It would be highly desirable for this increase to occur not only through economic growth and the tapping of new sources of revenue but also through greater efficiency in the collection of taxes and the expenditure of government funds and through improved public morality on the part both of taxpayers and of government officials.

The stimulation of more private Liberian investment within the country is intimately related to the fourth essential for Liberian economic progress—the development of a spirit of enterprise among the Liberians themselves. This is still hampered by the persistence of "rentier-like" attitudes among the weathier Liberians, of their lack of faith in each other's sense of financial responsibility, and of their preference for foreign as compared with domestic investment. These attitudes, fears, and preferences have slowly been changing under the impact of more modern ways of thinking and of doing business. But it would be desirable, whenever possible, to accelerate this process. Here, the work of the foreign companies can make an important contribution. They provide living examples of the material rewards of private enterprise and its importance to the community. And they also familiarize Liberians with modern business attitudes and activities and disseminate the necessary managerial and technical skills. In addition, there is much that the Liberian government could accomplish by making low-interest, long-term capital and financial and technical advice available to Liberians who lack the necessary resources for starting their own commercial farms and small establishments in manufacturing, retailing, or the service trades.

Social and political progress in Liberia are both cause and consequence of the country's economic development. The successful integration of the tribal people into all phases of the national life depends upon economic progress and will in turn make possible further economic growth. Similarly, there is a reciprocal relationship between increasing political democracy and the evolution of a predominantly private enterprise economy, such as is now developing in Liberia.

As far as its political future is concerned, Liberia is fortunate in lacking most of the social and economic problems which elsewhere in the modern world provide the breeding grounds for communism or for irrational nationalistic movements. There is no pressure of a teeming population on limited natural resources. There is no discontented peasantry squeezed between grasping landlords and moneylenders and rapacious produce merchants and retailers. There are no underpaid industrial workers herded into slums or compounds. There are no urban

mobs of uprooted and dispossessed tribesmen or peasants ready to be organized into riots by unscrupulous nationalist politicians or dedicated revolutionaries. Nor, under its present leaders and prospective social and economic conditions, is Liberia likely to experience in the foreseeable future any of these phenomena—which are now present in other parts of Africa, the Middle East, and Asia.

Whereas the possibility of a native communist or extreme nationalistic movement in Liberia on a serious scale is not very great, such developments could occur under certain conditions. One would be the appearance of discontented and embittered middle class groups and intellectuals who lacked opportunities to use their abilities constructively within Liberia, and who possessed the education and experience needed for organizing mass movements. Another would be the penetration of the country by Soviet agents or Africans trained by, and dedicated to, the cause of world communist imperialism. A third would be the conquest of neighboring parts of West Africa by fanatical ideologies or irrational nationalism, which would create strong pressures for a similar development in Liberia. Both the Liberian and U.S. governments are alert to such possibilities and would no doubt do their best to prevent them from happening.

Perhaps the greatest uncertainty in Liberia's political future is the question of President Tubman's successor when he retires or dies. Like many other dynamic and outstanding political leaders, President Tubman seems to overshadow his contemporaries by the force of his personality and the breadth of his understanding and vision. Only an equally distinguished man could take his place in holding together the different political factions in the country and keeping Liberia firmly on the road of economic, social, and political progress. Other countries have weathered such difficult transitions of political leadership successfully, and it is to be hoped that Liberia, too, will find the right man when he is needed.

In conclusion, the prospects both for Liberia and for Firestone are reasonably bright for the foreseeable future. Their performances in the past, particularly during the last decade, and their present attitudes and capabilities provide assurance that a mutually satisfactory and profitable relationship will continue. Though the Company will not much longer play the preponderant role in Liberian life that it has hitherto, it will continue to be an important and constructive influence on the nation. The fact that Firestone is not content to rest on its laurels means that it will find new ways to demonstrate the many benefits which responsible private American enterprise can bring to underdeveloped countries.

October 1956

THE POLICY COMMITTEE'S STATEMENT

IN UNDERTAKING THIS PROJECT the National Planning Association is not attempting to assess or describe how U.S. business enterprises generally operate abroad. Rather we are concerned with an objective study of some selected cases in which U.S. business management has, in pursuance of normal and profitable operations abroad, taken positive steps toward raising living standards and helping to integrate into countries less developed than the United States the foundations of a more mature economy. We are attempting only to sketch out those aspects of typical managerial efforts that contribute to the general economic and social progress of a host country. In confining ourselves to this facet of the problem of United States private enterprise abroad, we are not deprecating or belittling the other side of the coin, nor are we trying to write the "success" stories of nonprofit operations.

Underlying this project are the following assumptions concerning the relationships between U.S. private enterprise and the interests of the countries in which this private enterprise is operated:

First Assumption

We assume that certain, though not all, U.S. private enterprises operating in foreign countries have made contributions to the welfare of those countries and that these contributions have resulted from the foresight of management. We are convinced, therefore, that well-operated and profitable businesses abroad can establish patterns of behavior that contribute materially to the welfare of the countries involved without unduly disturbing native cultures, living patterns, and ideologies.

Second Assumption

Properly managed private enterprise abroad contributes to its market and economic area an organizational pattern, within which new enterprises are developed by people native to the host country. This chain reaction helps to create a manageable, more productive economy. In other words, well-run U.S. enterprise abroad not only can be self-sustaining but also can give birth to or stimulate the development of corollary enterprises as a result of the private enterprise pattern taking hold.

Third Assumption

A basically private enterprise economy in less developed countries, of which well-managed U.S. private enterprises can well be a part, provides strong insulation against Communism, totalitarianism, and political instability. Therefore, it is to the national interest of the United States to have "policies" that promote enlightened and well-managed U.S. enterprises abroad. Conversely, it is in the best interests of all parties concerned that the United States Government use its influence to promote cooperation between U.S. private enterprises abroad and democratic countries in which they operate.

Fourth Assumption

The soundest way of assuring continued access in the less developed countries to those vital raw materials which the United States needs is to take cooperative measures to help those countries improve their standards of living and strengthen their economies. One of the most practical ways of doing this is to provide encouragement to U.S. private enterprises to help these countries develop their resources insofar as they want the assistance of U.S. management organization, private capital, knowledge, experience, and technical skill.

Fifth Assumption

In the long run, the "success" of an enterprise abroad must be judged in the light of its relations to the host country. The ultimate success and permanence of the enterprise must necessarily be related to the importance of its contributions insofar as the host country is concerned, since enterprises typical of those we are studying do not exploit host countries, but create wealth which is shared by their citizens. If U.S. private enterprises abroad are managed in such a way that the host countries are convinced they are also promoting their economic and social development, then it is most likely that they will receive the cooperation essential to long-run survival.

Since the above assumptions are general considerations, it is unlikely that any specific *Case Study* will bear directly on all these points. All *Case Studies*, however, will be measured against the fifth basic assumption. Our inquiry, therefore, is an area that until now has been almost wholly neglected.

The files, information, and services of our governmental departments, numerous agencies and special commissions, the Export-Import Bank and the International Bank for Reconstruction and Development are replete with current and historical information helpful to the businessman contemplating operations in foreign lands. In addition there are many private agencies—particularly commercial and investment banks maintaining foreign departments—engaged in counseling on legal, financial, trade, transportation, and local political conditions throughout the world. Our *Case Studies* will not aid the student or businessman seeking out specific answers to questions in the legal, financial, political, and related subjects. We are under no illusions as to the many difficulties that beset management in initiating and maintaining operations abroad.

We do not assume that U.S. enterprises will go abroad unless they believe they can return a satisfactory profit on the capital placed at risk, although collateral considerations may be involved. In pursuing profits, however, the "successful" enterprise finds it pays dividends to strive consciously to contribute to the social and economic life of a host country. For this reason, there should be no misunderstanding of what we are studying. We are not delving into the business transactions of any company under study except as they may relate to these contributions in our area of inquiry.

We frequently hear these days of the unsettled conditions abroad, that little or no basis exists for private investments in foreign countries, and particularly that the world is hostile to U.S. capital and our production methods (though not to our achievement!). This may be true among certain segments of the world's population, but an increasing number of foreign governmental and private leaders are consciously trying to create and maintain an economic climate favorable to such ends. Most of the world is short of capital and very short of dollars—yet at present it is only from the United States that they may obtain both to a degree necessary to their continued growth.

Capital that goes abroad without management—as much of it did in the early twenties—often constitutes a poor risk. That which goes abroad under American management—through U.S. business firms establishing branches or subsidiaries—usually shows better results both from a profit standpoint and in terms of economic and social contributions to the host countries. Governmental guarantees by this country are not nearly as effective in safeguarding such investments as the enlightened attitudes of the U.S. businessmen who manage the investments. This coun-

try has much to offer the world in business organization, technical know-how, and creative capital. The building of economic units in foreign countries that are not only profitably managed but also provide a positive economic and social contribution to their host countries are the surest guarantees that such capital will not be subject to abnormal risks.

The rapid expansion of industrial capacity here and abroad has enormously increased the need for raw materials throughout the world. On this basis alone, it is in our self-interest to encourage private capital to seek profitable opportunities in underdeveloped areas. And in so doing, we can demonstrate that we are creating new outlets for electric power, transportation and port facilities, increased industrialization, greater demand for U.S. capital goods, and contributing to the increase in international trade in general. However, unless we can come to a more realistic "import" policy, the export of U.S. capital will shrink and with it will go one of the principal ways to meet the present critical "dollar gap." This dollar shortage abroad is already seriously threatening our nondefense export trade.

Because we live in a world of state trading, exchange controls, export subsidies, import quotas, and intensified nationalistic aspirations there is special need for correlating private and governmental action in the exportation of U.S. capital. Everyone, including the taxpayer, benefits when governmental action constructively complements the flow of private capital abroad; when such action anticipates and helps create the appropriate climate, and when it fosters the long-range development of economic and trade relations of this and responding host countries.

The fact that we are only studying successful companies certainly implies that they have been profitable to their stockholders, and therefore we will not concern ourselves directly with this facet of their success. Our concern is rather how these selected though typical companies have earned the title "successful" insofar as they have benefited the host countries. For convenience, we may outline these principal possible benefits in the order of greatest ease in ascertaining their existence:

I. *Contribution to the basic economy*

  A. Additional resources (land, minerals, etc.) brought into use for the country.

  B. Transportation, energy, communications which are built, fostered, subsidized, or otherwise created by the company or by virtue of its operations and available to the use of the country in whole or in part.

C. Products of the company consumed or used in the host country.
D. Related industries developed with company assistance or which are attributable to the company's operations.
E. Service industries and trades dependent on and arising because of the operations of the company and the additional purchasing power of the labor force.

II. *Contributions to living standards*
A. Improvement in wages, hours of work, and employment conditions.
B. Better housing.
C. Improved health and sanitation.
D. Greater opportunities for education and recreation.
E. Higher levels of nutrition.

III. *Institutional benefits*
A. Formation of and use of local capital.
B. Improvement in skills.
C. Changes in patterns of doing business.
D. Tax, social, and other legislation encouraged or fostered.
E. Changes in public administration.
F. Greater civic responsibility.

IV. *Cultural*
A. Are the company operations as a whole tending to increase the middle class?
B. Is initiative passing to more responsible groups?
C. Are class conflicts decreasing?
D. Is there greater respect for human rights?

Unfortunately many of these broad areas of benefits cannot be measured or even detected except over a considerable period of time. They will be present or absent in varying degree according to the type, size, and purpose of the capital investment and the stage of the country's development at the time the initial investment was made. Certainly the cultural benefits will emerge gradually and probably only will be measurable by the influence of the total impact of all managed capital—foreign and local—rather than any one part of it.

In addition to these external factual areas, we are vitally interested in studying the relationships and attitudes that have made these practices successful:

How has the company met the obstacles which it has encountered?

To what extent has the company introduced U.S. managerial skills and methods cut to fit the operating picture abroad?

How has the company sought and obtained the cooperation of employees, government officials, and community; and have the views of these people changed markedly since the company first started operations?

Has the company sought to identify itself with the community as a friendly institution?

Has it sought to train native labor for the higher skills, for supervisory and executive positions, and have such efforts resulted in higher productivity, greater responsibility, and understanding on the part of labor?

Have the company's practices in investing capital and securing return of profits been made progressively easier?

Has the company brought know-how, technical assistance, and business management that could not have been provided at all—or as effectively—by government programs?

Above all, we shall be describing U.S. business management attitudes toward its job of conducting successful operations abroad, its flexibility and patience in meeting the great obstacles that are presented in so many fresh and challenging ways. Let no one be deceived by these *Studies* into believing that the way of business management abroad is all romance, huge profits, and success, purchasable in the market place. The rewards are adequate, the work is hard but interesting, and, as at home, the results are created, not bought.

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NPA OFFICERS AND BOARD OF TRUSTEES

(Continued)

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